NATIONAL BANK OF DOMINICA LTD.

Consolidated Financial Statements

June 30, 2019
(Expressed in Eastern Caribbean dollars)

NATIONAL BANK OF DOMINICA LTD.

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INDEPENDENT AUDITOR'S REPORT, continued

To the Shareholders of National Bank of Dominica Ltd.

Other Information, continued

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report for 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT, continued

To the Shareholders of National Bank of Dominica Ltd.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

Chartered Accountants
Castries, Saint Lucia
January 10, 2020

National Bank of Dominica Ltd.

Consolidated Statement of Financial Position

As at June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Assets			
Cash and balances with Central Bank	7(a)	**86,760,340**	212,800,942
Treasury bills	8	**34,372,032**	36,882,462
Due from other banks	9	**333,746,855**	529,362,607
Deposits with non-bank financial institutions	10	**9,971,536**	2,295,935
Loans and advances to customers	11	**666,512,040**	558,946,027
Investment securities	12	**259,195,894**	250,972,264
Other assets	13	**16,888,480**	25,265,940
Property and equipment	14	**11,638,831**	11,262,967
Intangible assets	15	**322,502**	144,779
Total assets		**1,419,408,510**	1,627,933,923
Liabilities			
Deposits from customers	16	**1,268,509,176**	1,468,736,016
Other liabilities	17	**27,717,282**	37,409,658
Commercial paper	18	**35,042,560**	31,621,268
Income tax liability		**109,445**	296,229
Provision		**379,626**	-
Total Liabilities		**1,331,758,089**	1,538,063,171
Equity			
Share capital	19	**20,000,000**	20,000,000
Statutory reserve	20	**13,968,918**	11,334,909
Loan loss reserve	21	**5,831,164**	9,000,000
Fair value through OCI reserve /(unrealized gain on available-for-sale investments)	22	**861,768**	575,400
Retained earnings		**46,988,571**	48,960,443
Total equity		**87,650,421**	89,870,752
Total liabilities and equity		**1,419,408,510**	1,627,933,923

The consolidated financial statements, on pages 9 to 108, were approved on January 7, 2020 by the Board of Directors for issue and signed on its behalf by:

Ellingworth Edwards
Managing Director

Linda Toussaint Peter
Chief Financial Officer

The notes on pages 9 to 108 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Changes in Equity

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	Share capital $	Statutory reserve $	Available-for-sale reserve $	Fair value through OCI reserve $	Loan loss reserve $	Retained earnings $	Total $
Balance at June 30, 2017		20,000,000	11,334,909	986,316		9,000,000	55,019,204	96,340,429
Total comprehensive loss for the year								
Loss for the year		-	-	-	-	-	**(5,338,761)**	**(5,338,761)**
Change in fair value of available-for-sale investment securities	22	-	-	**(410,916)**	-	-	-	**(410,916)**
Net loss for the year		-	-	**(410,916)**	-	-	**(5,338,761)**	**(5,749,677)**
Dividend	23	-	-	-	-	-	**(720,000)**	**(720,000)**
Balance at June 30, 2018		**20,000,000**	**11,334,909**	**575,400**		**9,000,000**	**48,960,443**	**89,870,752**
Balance at July 1 2018		**20,000,000**	**11,334,909**	-	**575,400**	**9,000,000**	**48,960,443**	**89,870,752**
Changes on initial application of IFRS 9		-	-	-	-	-	**(15,676,744)**	**(15,676,744)**
Restated balance July 1, 2018		**20,000,000**	**11,334,909**	-	**575,400**	**9,000,000**	**33,283,699**	**74,194,008**
Net income for the year		-	-	-	-	-	**13,170,045**	**13,170,045**
Transfer to reserve		-	-	-	-	**5,831,164**	**(5,831,164)**	-
Transfer to retained earnings	21	-	-	-	-	**(9,000,000)**	**9,000,000**	-
Allocation to statutory reserve	20	-	**2,634,009**	-	-	-	**(2,634,009)**	-
Change in fair value of FVOCI investment securities	22	-	-	-	**286,368**	-	-	**286,368**
Dividend	23	-	-	-	-	-	-	-
Balance at June 30, 2019		**20,000,000**	**13,968,918**	-	**861,768**	**5,831,164**	**46,988,571**	**87,650,421**

The notes on pages 9 to 108 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Income

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Interest income	24	**56,735,224**	50,468,019
Interest expense	24	**(23,277,945)**	(22,524,232)
Net interest income		**33,457,279**	27,943,787
Net foreign exchange trading income		**9,190,186**	10,133,111
Net commission and other income	25	**10,387,083**	7,261,970
Net interest, commission and other income		**53,034,548**	45,338,868
Net income from investment securities at fair value through profit or loss	12	**5,156,452**	1,603,517
Net impairment losses on loans and advances to customers	11	**(18,016,330)**	(30,135,540)
Impairment losses on investment securities		**(2,214,384)**	-
Impairment recovery on investment securities	12, 26	**1,129,304**	184,877
ECL adjustment on treasury bills and due from other banks		**112,114**	
Operating expenses	27	**(26,031,659)**	(21,837,944)
Net income/(loss) before taxation		**13,170,045**	(4,846,222)
Income tax expense	30	**-**	(492,539)
Net income/(loss) for the year after taxation		**13,170,045**	(5,338,761)
Earnings/(loss) per share attributable to equity holders of the Group			
Basic and diluted		**0.55**	(0.22)

The notes on pages 9 to 108 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Net income/(loss) for the year		**13,170,045**	(5,338,761)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net fair value gains on investments at FVOCI	22	**286,368**	-
Items that are or may be subsequently reclassified to profit or loss:			
Net fair value loss on available-for-sale investment securities		**-**	(410,916)
Total comprehensive income/(loss) for the year		**13,456,413**	(5,749,677)

The notes on pages 9 to 108 are an integral part of these consolidated financial statements.

National Bank of Dominica Ltd.

Consolidated Statement of Cash Flows

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Notes	**2019** **$**	2018 $
Cash flows from operating activities			
Net income/(loss) for the year		**13,170,045**	(5,338,761)
Adjustments for:			
Depreciation and amortization	14,15	**1,350,947**	1,175,169
Interest income	24	**(56,735,224)**	(50,468,019)
Interest expense	24	**23,277,945**	22,524,232
Gain on disposal		**24,826**	-
Tax expense		**109,445**	492,539
Gain on investment securities at FVTPL		**(5,156,452)**	(1,603,517)
Recovery on investment securities	26	**(1,129,304)**	(184,877)
Net impairment loss on investment securities		**2,214,386**	-
Dividends on investment securities at FVTPL		**(408,491)**	-
Net impairment loss on loans and advances	11(i)	**18,016,330**	30,135,540
Cash flows before changes in operating assets and liabilities		**(5,265,547)**	(3,267,695)
Change in mandatory deposits with Central Bank		**11,320,211**	(7,938,221)
Change in loans and advances		**(157,593,010)**	(21,724,092)
Change in other assets		**1,353,803**	(6,230,622)
Change in deposits from customers and commercial paper		**(195,498,201)**	143,537,308
Change in other liabilities		**(9,692,376)**	(1,653,166)
Change in provisions		**199,877**	-
Cash (used in)/generated from operations		**(355,175,243)**	102,723,512
Interest received		**84,245,517**	42,253,638
Interest paid		**(24,585,292)**	(21,164,077)
Income tax paid		**(296,229)**	-
Net cash (used in)/ generated from operating activities		**(295,811,247)**	123,813,073
Cash flows from investing activities			
Proceeds from maturity of treasury bills		**1,249,276**	11,452,305
Purchase of investment securities	12	**(23,133,449)**	(104,344,294)
Proceeds from disposal of investment securities	12	**16,460,436**	22,451,792
Purchase of property and equipment	14	**(1,633,935)**	(1,289,883)
Purchase of intangible assets	15	**(295,425)**	(20,388)
Proceeds from sale of property and equipment		**-**	111,540
Net cash used in investing activities		**(7,353,097)**	(71,638,928)
Cash flows from financing activities			
Dividends paid		**-**	(720,000)
Net cash used in financing activities		**-**	(720,000)
Net (decrease)/increase in cash and cash equivalent		**(303,164,344)**	51,454,145
Cash and cash equivalents – beginning of year		**678,827,995**	627,373,850
Cash and cash equivalents – end of year	7(b)	**375,663,651**	678,827,995

The notes on pages 9 to 105 are an integral part of these consolidated financial statements.

1. Reporting entity

The National Bank of Dominica Ltd. ("the Group") is domiciled in the Commonwealth of Dominica. The Group's registered office and principal place of business are both located at 64 Hillsborough Street, Roseau, Commonwealth of Dominica. These consolidated financial statements comprise the financial statements of the Bank and its subsidiary (collectively, "the Group").

The Group was established by Act of Parliament No. 27 of 1976 and commenced operations on March 15, 1978. The Group is subject to the provisions of the Banking Act No. 4 of 2015 and the Companies Act of 1994 of the Commonwealth of Dominica.

The Eastern Caribbean Securities Exchange acts as a registrar and the transfer agent for the Group's shares.

The Group provides retail, corporate and investment banking services in the Commonwealth of Dominica and the rest of the Eastern Caribbean region.

The National Investment Corporation Ltd. (NIC) is a wholly-owned subsidiary of the Group, and was incorporated in the Commonwealth of Dominica under the Companies Act 1994. In August 2012, NIC was amalgamated with the National Mortgage & Finance Corporation, then another wholly-owned subsidiary of the Group. NIC is in the process of reviewing its mandate and is currently non-operational. However, it is proposed that it engages in capital market services, focusing initially on brokerage and trade execution services to institutions and individual clients wishing to invest funds in various securities offered in the regional capital market.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) as at June 30, 2019 (the reporting date).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position that are measured at fair value:

- financial instruments designated and measured at fair value through profit or loss,
- equity investments designated at fair value through other comprehensive income (applicable for 2019); and
- available-for-sale investment securities (applicable prior to July 1, 2018).

2. Basis of preparation (cont'd)

(c) Functional and presentation currency

These financial statements are presented in Eastern Caribbean dollars, which is the Group's functional currency, except otherwise indicated. All amounts have been rounded to the nearest dollar.

(d) Estimates critical to reported amounts, and judgements in applying accounting policies

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made in the application of IFRS that have a significant effect on the amounts recognised in the financial statements, and estimates that can cause a significant adjustment in the next financial year to the carrying amounts of assets and liabilities at the reporting date are outlined below:

Applicable to 2019 only:
Classification of financial assets - Notes 3(e), 3(h)(iii) and 12
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

Expected Credit Losses – Notes 3(h)(viii), 11 and 12
Establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of the ECL and selection and approval of models used to measure ECL.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

Applicable to 2019 and 2018

(i) Key sources of estimation uncertainty

1. Allowance for impairment losses on financial assets

   In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the amount of future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant, the amount and timing of cash flows are estimated for each receivable individually. Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks, and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

2. Residual values and useful lives of property and equipment

   The residual value and the useful life of each asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

3. Income taxes

   In the ordinary course of the Group's business, it undertakes transactions, and is subject to events, the tax effects of which are uncertain. In the face of such uncertainty, the Group makes estimates and judgements in determining the provision for income taxes.

   The final tax outcome attributable to matters subject to such estimates and judgements may be materially different from that which was initially recognised. Any such difference will impact the current and deferred income tax provision in the period in which such determination is made.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(i) Key sources of estimation uncertainty (cont'd)

4. Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using a variety of means, including quotes published by broker/dealers and the book value of the entity, approaches in which there is inherent significant uncertainty that has resulted in these instruments being categorized as Level 2 and Level 3 in the fair value hierarchy. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instruments in an actual arm's length transaction.

(ii) Critical accounting judgements in applying the Group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The Group's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Group exercises judgement in carrying out such designation.

The following are relevant to these financial statements:

Applicable to 2019 only

IFRS 9 classifies all financial assets within the scope of IAS 39 into just two main classifications namely, those measured at amortised cost and those measured at fair value. Fair value measurements can either be fair value through other comprehensive income (FVOCI), or fair value through profit & loss (FVTPL).The decision on classification is taken at initial recognition and restatement of any previously recognised gains, losses, or interest is not required.

- For a debt instrument to be recognised at amortised cost, it must satisfy the requirements of the cash flow test and be managed such that it is held to maturity. A debt instrument can be measured at FVOCI only if it passes the cash flow test and if the assets are managed to achieve the business model objectives of both the collection of contractual cash flows and selling. There is also the option to designate a debt instrument as FVTPL with some conditions.

2. Basis of preparation (cont'd)

(d) Estimates critical to reported amounts, and judgements in applying accounting policies (cont'd)

(ii) Critical accounting judgements in applying the Group's accounting policies (cont'd)

- All equity investments are measured at fair value, with changes recognized in profit or loss (i.e FVTPL). However, if an equity investment is not held for trading, at initial recognition an entity may choose to measure the investment at FVOCI, but when the instrument is sold the gain or loss on sale will not be "recycled" from other comprehensive income to profit and loss as in the case of debt instruments classified as FVOCI. Instead, the cumulative gain or loss is transferred to a separate retained earnings bucket (Accumulated Other Comprehensive Income (AOCI)).

Applicable to 2018 only

- In classifying financial assets as "held-for-trading", the Group has determined that they meet the description of trading assets set out in accounting policy 3(h) (iii).
- In designating financial assets as at fair value through profit or loss, the Group has determined that they have met the criteria for this designation set out in accounting policy 3(h) (iii), (vii).
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the asset until their maturity date as required by accounting policy 3(h) (iii).
- In classifying financial assets as "loans and receivables" management concludes that, *inter alia,* they are not traded in an active market as required by accounting policy 3(h)(iii). This determination sometimes requires judgement.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year to assets and liabilities at the reporting date are discussed in Note 3.

3. Significant accounting policies

(a) Basis of consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the Parent Company's reporting date. The consolidation principles are unchanged as against the previous year.

The consolidated financial statements of the Group comprise the financial statements of the parent entity and its subsidiary as of June 30, 2019.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies (cont'd)

(c) Loss of control

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

(d) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between group companies have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting methods.

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year:

Certain new standards and interpretations of, and amendments to, existing standards, which were in issue and were relevant to the Group, came into effect for the current financial period.

IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model, which means that a loss event will no longer need to occur before an impairment allowance is recognized

The Group applied for the first- time certain standards and amendments which are effective for annual periods beginning on or after July 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Of these new standards and amendments applied for the first time in 2019, only IFRS 9 had a material impact on the annual financial statements of the Group.

IFRS 9 Financial Instruments

Transition disclosures

In July, the IASB issued a new standard IFRS 9 Financial Instruments which replaced the IAS 39 for annual periods on or after January 1 2018 with early adoption permitted. The group did not early adopt IFRS 9 and as permitted, the Group elected not to restate comparative figures and any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in retained earnings and other reserves of the current period.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" model. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Details of the Group's impairment method are disclosed in Notes 3, 11 and 12. The quantitative impact of applying IFRS 9 as at 1 July 2018 is disclosed below:

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year (cont'd):

The differences arising from the adoption of IFRS 9 are disclosed in the transition note disclosures as set out below.

The table below presents a reconciliation between the carrying amounts under IAS 39 with the carrying amounts of the balances under IFRS 9 at July 1, 2018 including the effect of reclassification and re-measurements.

	IAS 39 carrying amount as at June 30, 2018	Reclassification	Remeasurement ECL	IFRS 9 carrying amount as at July 1, 2018	Category
Financial assets	**$**	**$**	$	**$**	
Cash and balances with ECCB	212,800,942	-	-	212,800,942	Amortised cost
Treasury bills	36,882,462	-	(199,679)	36,682,783	Amortised cost
Due from other banks	529,362,607	-	(553,956)	528,808,651	Amortised cost
Deposit with non-bank financial institutions	2,295,935	-	(3,717)	2,292,218	Amortised cost
Loans and advances to customers	558,946,027	-	(4,500,374)	554,445,653	Amorised cost
Other assets	25,265,940	-	(7,023,657)	18,242,283	Amortised cost
	1,365,553,913	**-**	**(12,281,383)**	**1,353,272,530**	
Investment security - available for sale					
Opening balance	26,869,797	-	-	**26,869,797**	
To debt securities – amortised cost	-	(9,269,568)	-	**(9,269,568)**	Amortised cost
To equity instruments at FVOCI	-	(17,600,229)	-	**(17,600,229)**	FVOCI
Closing balance	**26,869,797**	**(26,869,797)**	-	**-**	**-**

(Expressed in Eastern Caribbean Dollars)

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year (cont'd)

	IAS 39 carrying amount as at June 30, 2018	Reclassification	Remeasurement ECL	IFRS carrying amount as at July 1, 2018	Category
	$	$	$	$	
Investment securities- held to maturity					
Opening balance	93,562,107	-	-	93,562,107	
From securities available for sale-debt	-	9,269,568	-	9,269,568	Amortised cost
Closing balance		-	(3,215,612)	(3,215,612)	
	93,562,107	**9,269,568**	**(3,215,612)**	**99,616,053**	
Equity instruments at FVOCI					
Opening balance	-	-	-	-	
From securities available for sale - equity	-	17,600,229	-	17,600,229	FVOCI
Closing balance	-	17,600,229	-	17,600,229	
Total financial assets	**1,485,985,817**	**-**	**(15,496,995)**	**1,470,488,812**	
Financial liabilities					
Deposits from customers	1,468,736,016	-	-	1,468,736,016	Amortised cost
Commercial paper	31,621,268	-	-	31,621,268	Amortised cost
Provision for undrawn loan commitment and guarantees	-	-	(179,749)	(179,749)	Amortised cost
Total financial liabilities	**1,500,357,284**	**-**	**(179,749)**	**1,500,177,535**	

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year (cont'd)

Classification Adjustments

Debt Securities at amortized cost

Transfer from investment securities held to maturity to amortized cost

At July 1, 2018, the Group reclassified from investment securities held to maturity to debt securities at amortized cost a total of $93,562,107. In accordance with the Group's business model, the objective of these securities is to collect contractual cash flows and the cash flows are solely payments and interest on the principal amounts outstanding thus satisfying the SPPI test.

Transfer from available for sale to debt securities at amortized costs

At July 1, 2018, the Group elected to reclassify debt securities held at available for sale in the sum of $12,705,562 to debt securities at amortized cost. These instruments met the SPPI test, are not actively traded and are held within the business model who objective is to collect contractual cash flows of principal and interest and for which there is no intention to sell. The net carrying value of these instruments was $9,269,568.

Equity Instruments at FVOCI

Transfer from available for sale to equity instruments held at fair value through other comprehensive income with no recycling of gains or losses to profit or loss.

As at July 1, 2018, the Group elected to reclassify the sum of $17,600,229 of its equity instruments held in available for sale to equity instruments held at FVOCI.

Impairment Adjustments

Expected credit losses

The following table reconciles the opening impairment allowance for financial assets under IAS 39 and provisions for loan commitments in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to the ECL allowance determined under IFRS 9 as at July 1, 2018.

(Expressed in Eastern Caribbean Dollars)

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year (cont'd):

IFRS 9 Financial Instruments (cont'd)

Transition disclosures (cont'd)

	Provision for Impairment under IAS 39 at June 30, 2018	Re-measurement at July 1, 2018	Reclassifications	ECLs under IFRS 9
	$	$	$	$
Financial assets at amortised cost				
Deposits with other banks	-	553,956	-	553,956
Deposits with non-bank financial institutions	-	3,717	-	3,717
Treasury bills	-	199,679	-	199,679
Loans and advances to customers	80,957,327	4,500,374	-	85,457,701
Other assets	-	7,023,657	-	7,023,657
Total	**80,957,327**	**12,281,383**	**-**	**93,238,710**
Available for sale (IAS39):				
Financial assets at FVOCI (IFRS) 9				
Investment securities	17,443,500	-	(3,435,994)	14,007,506
Held to maturity (IAS39):				
Financial assets at amortised cost (IFRS 9)				
Investment securities	10,000,000	3,215,612	3,435,994	16,651,606
Undrawn loan commitments				
Provisions	-	179,749	-	179,749
Total financial liabilities	**108,400,827**	**15,676,744**	**-**	**124,077,571**

3. Significant accounting policies (cont'd)

(e) Adoption of new standards, and interpretations of and amendments to existing standards that became effective during the year (cont'd):

IFRS 15, *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 11, Construction Contracts, IAS 18, Revenue and IFRIC 13, Customer Loyalty Programmes. It also provides a model for the recognition and measurement of disposal of certain no-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant and circumstances when applying each step of the model to contracts with their customers. It also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Management has assessed that the main impact of this standard is in respect of fees and commission income. The Group earns fee and commission income (other than fees included in the calculation of the effective interest rate) on provision of retail and corporate banking services. Based on preliminary review, IFRS 15 did not have a material impact on the timing and recognition of fees and commission income.

3. Significant accounting policies (cont'd)

(f) New standards, and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorization of the consolidated financial statements, there were certain new standards, and amendments to and interpretations of existing standards, which were issued but were not yet effective and which the Group had not early-adopted. The Group has assessed them and determined that the following may be relevant to its operations:

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers,* is also adopted. The Group is assessing the impact that this standard will have on its 2020 financial statements.

  The accounting policies set out below have been consistently applied to all periods presented in these financial statements unless otherwise stated.

- Amendments to IAS 12 Income Taxes – Annual Improvements to IFRS Standards 2015-2017; the IASB issued an amendment to IAS 12 in December 2017. The amendment clarified the recognition and measurement of current and deferred taxes on dividends. The amendment clarified the recognition of income tax consequences of dividends where the transactions or events that generated distributable profits are recognised, apply to all income tax consequences of dividends. This amendment is effective for annual reporting periods beginning on or after January 1, 2019. The Group is assessing the impact that this standard will have on its 2020 financial statements.

3. Significant accounting policies (cont'd)

(f) New standards, and interpretations of and amendments to existing standards that are not yet effective (cont'd):

- IFRIC Interpretation 23**;** IFRIC 23 clarifies the accounting for uncertainties in income taxes. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item under IAS 12, including taxable profit or loss, the tax bases of assets and liabilities, unused tax losses and credits and tax rates.

  Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

  If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

  IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group is assessing the impact that this standard will have on its 2020 financial statements.

  Transition
  The requirements are applied by recognising the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits at banks and includes unrestricted balances with the Eastern Caribbean Central Bank (ECCB). Cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and held for short-term operating, rather than investment, purposes. They comprise balances with less than three months' maturity from the date of acquisition and include treasury bills, term deposits with other banks, term deposits with non-bank financial institutions, and other short-term securities.

3. Significant accounting policies (cont'd)

(h) Financial instruments

(i) Recognition and initial measurement
The Group initially recognizes loans and advances, deposits and debt securities on the date that they are originated. The Group uses trade date accounting for regular way contracts when recording financial asset transactions. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through the profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition

Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

From July 1, 2018 any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities.

Financial liabilities
The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable from July 1, 2018

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). For classification purposes, IFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the instruments. The standard eliminates the previous categories under IAS 39 of held for trading, available-for-sale, held-to-maturity and loans and receivables. The Group will generally therefore classify its financial assets as follows:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI);
- Equity instruments designated at fair value through other comprehensive income (FVOCI); and
- Financial assets at fair value through profit or loss (FVTPL).

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. For financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits net elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable from July 1, 2018 (cont'd)

Financial assets are measured at initial recognition at amortised cost and are classified and subsequently measured at amortised cost if they meet both of the following conditions (the SPPI test) and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In order for debt instruments to be recognised at amortised cost, they must satisfy the requirements of the cash flow test and be managed such that they are held to maturity. An asset will be measured at FVOCI only if it passes the cash flow test and if the assets are managed to achieve the business model objectives of both the collection of contractual cash flows and selling. The Group also has the option to designate a debt instrument as FVTPL with some conditions.

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All equity investments held for trading are measured at fair value, with changes recognized in profit or loss (i.e FVTPL). However, if an equity investment is not held for trading, at initial recognition the Group may choose to measure the investment at FVOCI, but when the instrument is sold the gain or loss on sale cannot be "recycled" from other comprehensive income to profit and loss as in the case of debt instruments classified as FVOCI. Instead, the cumulative gain or loss is transferred to a separate retained earnings bucket (Accumulated Other Comprehensive Income (AOCI)).

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held to collect contractual cash flow.

For the financial year 2019, the Group elected to classify some of its equity instruments at FVOCI with subsequent changes to be presented in FVOCI. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable from July 1, 2018 (cont'd)

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and therefore, there have been no significant changes to the accounting for the Group's financial liabilities under IFRS 9.

Business Model Assessment

IFRS 9 requires that financial assets are classified on the basis of the Group's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model assessment includes determining how financial assets are managed in order to generate cash flows. The Group is guided by its strategic objective and uses judgement in determining its business models. This is supported by relevant, objective evidence including:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;
- The significant risks affecting the performance of the business model to include, market risk and credit risk and the activities undertaken to manage those risks.

The business model assessment is forward looking in that if cash flows are realized in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

The business model for the Group's loans and receivables remains the same as under IAS 39 being to hold to collect contractual cash flows to the maturity of the instrument. As a result, the Group intends to classify loans & advances at amortised cost. There is no change in classification from the previous standard (IAS 39).

The outcome of the SPPI and Business Model tests determines whether the financial instrument is accounted for:

- at fair value through profit or loss (FVTPL);
- at fair value through other comprehensive income (FVOCI); or
- at amortized cost.

IFRS 9 has a single impairment model for all financial assets, but only for those classified as amortized cost or FVOCI. Financial assets classified as FVTPL do not need to be impaired as the others as they are already marked to market and are, therefore, outside of the IFRS 9's scope.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable from July 1, 2018 (cont'd)

Business Model Assessment (cont'd)

The Group's business model assessment falls into two main categories:

1. Hold to collect contractual cash flows. Under this model, loans and investments securities are held to collect contractual cash flows and they satisfy the SPPI test of the cash flows consisting solely of principal and interest payments.
2. Hold to collect contractual cash flows and selling of the financial asset. Under this model, which comprises solely investment securities, the objective is to collect cashflow but the security can be sold to meet liquidity requirements as required.

Reclassifications

Due from banks, treasury bills, loans and advances

As at July 1, 2018, the Group maintained its classification for treasury bills, due from banks, loans and advances previously carried at amortised cost. These securities were therefore measured at amortised cost on the basis that they satisfied the required conditions under IFRS 9 as follows:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investment securities

The Group has classified its investment instruments as amortised cost, fair value through profit & loss (FVPL) and fair value through other comprehensive income (FVOCI). The business model for these instruments vary where some are held to collect contractual cash flows and others are held to collect contractual cash flows but also to sell. Debt securities held to collect contractual cash flows are recognized at amortised cost while debt securities for which the intention is to sell are measured at fair value with changes recognized in profit or loss. Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Unrealized gain or loss from changes in fair value on debt securities carried at FVTPL are recognised in profit or loss.

All equity securities are measured at fair value. If an equity instrument is not held for trading, at initial recognition, the investment is measured at fair value through profit and loss (FVTPL) with changes recognized in profit or loss or an election is made to designate that equity instrument at fair value through other comprehensive income (FVOCI) but when the instrument is sold/ derecognized the gain or loss on sale cannot be recycled from other comprehensive income to profit or loss. Dividends received are reported in the statement of income.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable from July 1, 2018 (cont'd)

Investment securities (cont'd)

As at July 1, 2018, the Group classified its investment securities as follows:

All debt instruments previously carried as held to maturity investment securities are measured at amortised cost using the effective interest method and are presented net of any allowance for credit losses which has been calculated in accordance with the Group's policy for expected credit losses. These debt instruments are measured at amortised cost since they are held within the Group's business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments if principal and interest

The Group reclassified its available for sale investments securities as either amortized cost or FVOCI. All debt instruments previously carried at available for sale were measured at amortized cost on the basis that their contractual terms give rise to cash flows on specified dates that represent solely payments of principal and interest on the principal amount outstanding i.e. they satisfy the SPPI test.

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or long-term investment purposes. This election is instrument specific and the Group has elected to measure some of its equity investment securities (those previously held at available for sale) at FVOCI on the basis that the financial asset is held within a business model whose objective is to hold for strategic purposes or to sell the financial asset.

All investment securities with a reliable measurable fair value have been designated as FVTPL. Investment securities at FVTPL are primarily assets held for trading and comprises the Group's investment assets under management by Fund Managers. These securities are not assessed for impairment under IFRS 9 Prior to July 1, 2018 these assets were classified as FVTPL.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Financial liabilities measured at amortized cost are deposits from banks or customers and other financial liabilities

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification

Applicable before July 1, 2018

Financial assets
The Group classifies its financial assets in one of the following categories:

- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

  Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan, including any transaction costs – and measured subsequently at amortized cost using the effective interest rate method.

- *Held-to-maturity investments*
  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than: (a) those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group designates as available for sale; and (c) those that meet the definition of loans and receivables.

  If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

- *Available-for-sale*
  Available-for-sale investments are financial assets that are (1) intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or (2) that are not classified as loans and receivables, held- to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale investments comprise equity and debt securities.

  Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration, including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit and loss.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(iii) Classification (cont'd)

Applicable before July 1, 2018 (cont'd)

Financial assets (cont'd)

- *Available-for-sale (cont'd)*
  However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss in "Dividend income" when the Group's right to receive payment is established.

- *At fair value through profit or loss and within the category sub-classified as:*

  - *held for trading*
    A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
    or
  - *designated as fair value through profit or loss*
    A financial asset is classified as fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management.

Financial liabilities
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Financial liabilities measured at amortized cost are deposits from banks or customers and other financial liabilities

(iv) Reclassification of financial assets
The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(v) Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions, similar to Group's trading activities.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

Applicable before July 1, 2018 (cont'd)

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of a financial instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group evaluates the leveling at each reporting period on an instrument basis and reclassifies instruments when necessary based on the facts at the end of the reporting period. The Group recognises transfers between levels of the fair value hierarchy (see Note 6) as of the end of the reporting period during which the change has occurred.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment

Applicable from July 1, 2018

The Group recorded the allowance for expected credit losses for the following categories of financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitments;
- Financial guarantee contracts.

No impairment loss is recognised on equity investments. The Group had no debt instruments measured at fair value through other comprehensive income.

The recognition of ECL could be either 12-months (12mECLs) or lifetime (LTECL) for each financial asset, depending on the impairment stage of the asset.

The impairment model under IFRS 9 makes use of a three stage approach in determining credit losses:

Stage 1 - at origination or purchase, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established. 12 Months ECL are done for exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. The portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. For these financial assets, interest revenue is calculated on the gross carrying amount (i.e. without adjustment for expected credit losses).

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Stage 2 - If the credit risk increases significantly and the resulting credit quality is no longer considered to be low credit risk, full lifetime expected credit losses are recognised.

Lifetime expected credit losses are only recognised if the credit risk increases significantly from when the entity originates or purchases the financial instrument. The calculation of interest revenue on financial assets remains the same as for stage 1.

Facilities restructured, due to the financial impediment of the borrower will also initially be recognised at stage 2 impairment. These facilities will be monitored for a period of time (12 months) until which a formal review will be conducted to see whether it is performing as normal. Subsequently, once the Group is satisfied, these facilities can return to the stage 1 bucket.

Stage 3 - If the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e the gross carrying amount adjusted for the loss allowance). Lifetime expected credit losses are still recognised on these financial assets.

The Group utilises qualitative and quantitative criteria in its assessment.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Twelve (12) month ECLs are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months

Currently, such facilities identified as:

- Those with a credit risk rating of between 1 to 3 inclusive
- Loan repayments current or not more than 30 days past due
- Loans rescheduled and up to date for more than 12 months
- Deposits on overdraft facilities over the last 30 days equal to, or in excess of the interest accrued on the facility.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition based on the defined criteria set out below, but that do not have objective evidence of impairment. This however excludes (non-restructured) loans assessed as having a low credit risk at the reporting date. Low credit risk refers to specific situations based on the Group's knowledge of the customer which indicates credit risk has not increased significantly. The standard states that a financial instrument is considered to have low credit risk if:

1. The financial instrument has a low risk of default
2. The borrower has a strong capacity to meet its contractual cash flow obligations in the near term.
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

A financial instrument is not considered to have low credit risk simply because it has a low risk of loss (e.g., for a collateralised loan), if the value of the collateral is more than the amount lent or it has lower risk of default compared with the entity's other financial instruments or relative to the credit risk of the jurisdiction within which the entity operates. According to Basel credit risk is defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

For Stage 2 assets assessed as having low credit risk, lifetime ECLs are recognized, but interest, revenue is still calculated on the gross carrying amount of the asset. At this stage, the expected credit losses are calculated over the lifetime of the loan.

Currently, such loans are identified as those displaying any one or more of the following:

- Loan repayments in arrears between 30 - 89 days
- Credit facilities with a risk rating of 4
- Rescheduled or restructured loans which have been guaranteed by the Government of Dominica
- Rescheduled or restructured loans due to deterioration which are up to date and adequately secured, for less than 1 year after rescheduling
- Deposits on overdraft facilities over the last 30 to 90 days equal to, or in excess of the interest accrued on the facility.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Stage 3- Financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECLs are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance). The standard requires management, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. The Group intends to utilise qualitative and quantitative criteria in its assessment of default of financial assets. The determination is based on whether the borrower is unable or unlikely to pay his/her obligations. These criteria include any one or more of the following:

- Loans at least 90 days and more in arrears (non-performing loans).
- Credit facilities with a risk rating 5 or higher
- Delinquent restructured loans
- Credit cards 90 days past due converted to a loan
- Deposits on overdraft facilities over the last 90 days insufficient to cover the interest accrued thereon.

The calculation for all Stage 3 facilities mirrors the IAS 39 calculation for specific provisioning performed by management prior to IFRS 9. After a preliminary analysis, management has opted to perform the calculation for Stage 3 using this approach since the calculation of expected credit losses (ECL) using the 5-year LGD average results in a much lower ECL across all portfolios and does not reasonably represent the best estimate for losses in Stage 3. Management has deemed this approach as appropriate given that the calculation factors the net exposure for those facilities which have defaulted rather than using the estimated portfolio LGD which is based on historical losses over 5 years.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Under IFRS 9, the Group recognise expected credit losses (ECL) based on the financial instruments' stage allocation.

- For instruments allocated to Stage 1, a 12-month ECL is required which is the portion of lifetime ECLs resulting from default events that are possible within 12 months after the reporting date - 12 Months Probability of Default (PD).
- For instruments allocated to stage 2, a lifetime ECL is required which is the ECL that results from all possible default events over the expected life of the financial instruments - lifetime Probability of Default (PD).
  ECL is estimated based on the calculation of PD*LGD*EAD*Discount rate over the life of the instrument.
- For instruments allocated to Stage 3, which include loans which have defaulted and are over 90 days past due and loans considered to be credit impaired based its Credit Risk Rating, lifetime ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, that is, the difference between

  – The cash flows that are <u>contractually</u> due to the Group under the contract and,
  – The cash flows that are <u>expected</u> to be received by the Group which is expected to equate the present value of the discounted collateral value.

  The application of Stage 3 ECL remains mostly unchanged from what existed under the previous IAS 39.

  The expected credit loss model applies to debt instruments recorded at amortised cost, such as loans, debt securities and loan commitments and financial guarantee contracts.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Measurement of expected credit loss (ECL)

In calculating ECL, the Group considered the unbiased and probability-weighted estimates of expected loss which was determined by evaluating a range of possible outcomes to include the amount and timing of the cash flows for particular outcome and the estimated probability of these outcomes. The calculation of ECL also took into account time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions. Expected credit losses are measured as follows:

- Financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flow discounted by the effective interest rate.
- Undrawn loan commitment: as the expected portion of the loan commitment that will be drawn down over the next twelve months (Stage 1) since the Group has the right to withdraw the commitment that has not yet been disbursed based on any perceived or material changes in the customer's risk profile and calculates the ECL as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: as the expected payments to reimburse the holder less any amounts the Group expects to recover.
- Revolving facilities including credit cards and overdraft facilities.

The inputs used to estimate the expected credit losses are as follows:

The Group selected the following general model for measurement of ECLs:

ECL = PD x LGD x EAD x DR, discounted to the financial reporting date where,

- PD - Probability of Default – Estimate of the likelihood of default over a given time horizon. The Group uses the borrower's probability of default as the naturally fitting metrics for estimating the risk of default occurring.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Measurement of expected credit loss (ECL) (cont'd)

- LGD - Loss Given Default – Estimate of the loss arising in case a default occurs at a given time.
- EAD – The estimated pay off balance at the time of future default, this being the sum of the current balance and interest accrued or the higher of the assigned limits or absolute value of the drawn balance for revolving facilities.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. The Group carries no debt instruments at FVOCI as at reporting date. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for expected credit losses

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of profit or loss since their carrying amount is considered their fair value. The loss allowance is disclosed and recognized in the fair value reserve.
- Loan commitments and financial guarantee contracts: as a provision.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Assessment of significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages and 12 month expected credit loss to lifetime credit losses as asset quality deteriorates. If, in a subsequent period, asset quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's best credit rating criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in profit or loss.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors. The determination of whether there has been a significant increase in credit risk is the key contributing factor in the staging process. The key factors the Group considers are:

- Changes in market or general economic conditions
- Expectation of potential breaches
- Expected delays in payment
- Deterioration of credit ratings
- Significant changes in operating results or financial position of the borrower

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Renegotiated loans
The Group frequently renegotiates or otherwise modifies the terms and conditions of loans to its customers. The treatment of these would have been covered under IAS 39. Similarly, under IFRS 9, the Group will need to assess whether the modified terms are "substantially" different from the original terms. Based on discussions with Management, assessment considerations may include:

- Any introduction of significant new terms
- Significant change in loan's interest rate
- Significant extension in loan's term
- Significant change in credit risk from inclusion of collateral or other credit enhancements

When terms are substantially different, the Group will derecognise the original loan and recognises a 'new' loan at fair value, recalculating the new EIR. For the calculation of ECL, the new origination date is used.

Write offs
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Forward Looking Information
Based on certain guidance on IFRS 9, the Group has decided on the following:

- The Group will not be required to incorporate detailed forecasts of future conditions over the entire expected life of a financial instrument.
- The Group will not perform or attempt to gather detailed economic estimates for periods that are far in the future, that is, longer than three years. When necessary, the Group will assume that those economic metrics selected as having stronger correlations with the Group's performance will revert to long-term averages beyond three years.
- The Group may choose to extrapolate projections from available, more detailed information, such as information provided by the Statistical Division of the Central Bank, the International Monetary Fund, the World Bank, or other credible sources. The Group will make every attempt to consistently utilise the information researched.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Forward Looking Information *(cont'd)*

- The degree of judgement utilised by the Group will depend on the availability of detailed information and the factors other than macro-economic factors that have affected and may have a future effect on the performance of the Group's financial assets.

Researching estimates of future economic performance is only the first step in the process of incorporating forward looking information. The Group will then analyse and determine which macroeconomic factors, again such unemployment and GDP growth, have affected defaults in the past.

The Group will use its historical information and that of credible sources as identified above as the starting point of its analysis. Adjustments to historical information/results will be based on reasonable and supportable information that incorporates both current and forward-looking information:

The Group continues to research and evaluate its options to incorporate adjustments to its historical metrics to reflect current conditions and forecasts of future economic conditions. To date, the Group is aware of the follow options:-

1. Econometric/Statistical modelling - current and future expectations are used as direct inputs into a forecasting model that relies on historical relationships between loss and macroeconomic factors such as unemployment and GDP growth.

2. Management Overlays - Using a base-case scenario based on historical information and, subsequently, adding a management estimate overlay to adjust the historical data to reflect current expectations.

In the absence information to support, the Group selected four macro-economic variables as likely having a direct impact on the quality of the credit portfolio; being GDP, Inflation, Unemployment and Fiscal Deficit. The chosen strategy was to assess the relationship between these variables and the NPL ratios. The initial plan was to compute a 'multiplier' for each macro variable based on the macroeconomic expectation or 'outlook'. In deriving an appropriate multiplier it would have been necessary to observe the trends in the NPL over three different economic periods of positive, negative and stable.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Forward Looking Information *(cont'd)*

However, the assessment, as originally planned was impeded by the lack of sufficient years of NPL information against which the macro-economic variables would be compared so as to obtain a meaningful correlation/relationship. Specifically, the five (5) years of NPL information available did not allow for the assessment of the three economic periods needed to continue with the strategy for incorporating the FLIs into the computation of PD.

As such, the strategy shifted towards simply computing the correlation of the macro-economic variables and the NPL information over the entire period available. However, whilst the correlation to model was constructed for the other three economic variable, 'Unemployment' information is not available for Dominica and therefore stalled the effort. Additionally, the absence of NPL information for both Sovereign and NBFIs over the limited period available also served to diminish the effectiveness of the approach.

Given the challenges faced with incorporating the FLI into the computation of PD, the Group has used management estimate overlay as the primary driver of the FLIs, leaving the use of macro-economic information as a future refinement that may be revisited when the available information allows for that high level approach.

Management Overlay Option (Scalar Approach):

It is the Group's intention to utilize the 'Management Overlay' option for estimating FLI until the statistical information for a more statistically comprehensive alternative is available. The Scalar approach is used as a simplified method to incorporate forward looking information in the ECL calculation for compliance with IFRS 9. The approach is generally used when there is a challenge in correlating Macroeconomic data with the company's performance of the company's portfolio. The output of the approach is a multiple which is applied to the ECL calculation. The multiple is determined as follows:

1. **Select** - Management determines and select the external economic factors that will potentially affect its portfolio in the future.

2. **Weighting** - Management weights the factors based on their significance and impact on NBD's portfolio.

3. **Outlook** - For each Macroeconomic variable an outlook, either negative, stable or positive, needs to be determined. The economic outlook of each variable was determined based on data from multiple sources (IMF, ECCB etc.).

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable from July 1, 2018 (cont'd)

Management Overlay Option (Scalar Approach) (cont'd)

4. **Multiplier** - The multiplier effect of each variable is determined based on management's assessment. For e.g. management can determine that the multiplier is a consistent twenty five percent (25%) decrease (1 less 25% = 0.75) or 25% increase (1 plus 25% =1.25). depending on whether the outlook for the macroeconomic variable was determined to be positive or negative respectively. If the outlook was determined to be stable the multiplier would be 1.

5. **Scenario Weighting**: A percentage weighting is determined based on management's judgement. These percentage scenario weightings (probability weighted scenarios) represent the likelihood of each scenario occurring when evaluating the current and future macroeconomic conditions at a high level. The sum product of each scenario weight and macroeconomic multiple is then considered in the calculation of the ECLs.

6. **Score** - The product of the weighting and multiplier determines the score for each macroeconomic variable. The sum of the all the probability weighted scores determine the factor that will be applied to the portfolio.

Applicable before July 1, 2018

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) (a "loss event"), and that the loss event (or events) has or had an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss can include:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable before July 1, 2018 (cont'd)

- other observable data relating to a group of assets, such as:
  - adverse changes in the payment status of borrowers or issuers in the Group; or
  - economic conditions that correlate with defaults on the assets in the Group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be significant and a period of nine (9) months to be prolonged.

The Group considers evidence of impairment for loans and advances and held-to-maturity investment securities both at a specific assets and collective level. All individually significant loans and advances and held-to-maturity investments are assessed for specific impairment. Those not found to be specifically impaired, along with those not individually significant, are then collectively assessed for any impairment that has been incurred but not yet identified. This collective assessment of loans and advances and held-to-maturity investment securities that are not individually significant is performed by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses statistical modeling of historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Assets carried at amortised cost
Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial assets should be derecognized. If the cash flows of the renegotiated assets are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value. The impairment loss is measured as follows:

- If the expected restructuring does not result in de-recognition of the existing asset, the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and the amounts are discounted at the original effective interest rate of the existing financial asset.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable before July 1, 2018 (cont'd)

Assets carried at amortised cost (cont'd)

- If the expected restructuring does result in de-recognition of the existing asset, then the expected fair value of the new assets is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances or held-to-maturity investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Assets classified as available-for-sale
Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss – is removed from equity and recognized in profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed with the amount of the reversal recognized in the separate statement of comprehensive income.

3. Significant accounting policies (cont'd)

(h) Financial assets and financial liabilities (cont'd)

(viii) Impairment (cont'd)

Applicable before July 1, 2018 (cont'd)

Renegotiated loans
Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

(ix) Designation at fair value through profit or loss

The Group designates financial assets at fair value through profit or loss in either of the following circumstances:

- The assets are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 6 sets out the amount of each financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

Applicable to 2019 and 2018

(i) Property and equipment

(i) Recognition and measurement
Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

3. Significant accounting policies (cont'd)

(i) Property and equipment (cont'd)

(i) Recognition and measurement (cont'd)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in profit or loss

(ii) Subsequent costs

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

(iii) Depreciation

Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Building	3%
Leasehold improvements	20%
Computer equipment	14% - 33%
Furniture and equipment	14% - 20
Motor vehicles	20%

Depreciation methods, residual values and useful lives are reviewed at each reporting date, and adjusted if appropriate. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is then written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

3. Significant accounting policies (cont'd)

(j) Intangible assets

Intangible assets comprise separately identifiable intangible items arising from computer software licenses and other intangible assets. Intangible assets are recognized at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with a definite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortized. Generally, the identified intangible assets of the Group have a definite useful life.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for measurement after recognition.

Computer software licenses
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits of the relevant asset. Software costs are amortized on the straight line basis in profit or loss from the date it is available for use. The estimated useful lives of software range from three (3) to five (5) years. Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary. Costs associated with maintaining computer software programs are recognized as an expense when incurred.

(k) Impairment of other non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists for any asset, then that asset's recoverable amount is estimated. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present vale using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses are recognised in profit or loss.

3. Significant accounting policies (cont'd)

(l) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case they are recognised in equity or other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any tax adjustment to tax payable in respect of previous years. Income tax payable is calculated on the basis of the applicable tax laws in the Commonwealth of Dominica and is recognized as an expense (income) for the period, except to the extent that current tax relates to items that are charged or credited in other comprehensive income; in these circumstances, current tax is charged or credited to other comprehensive income. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

(ii) Deferred tax

Deferred income tax is provided on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the difference between the carrying amounts of property and equipment and intangible assets and their tax bases and unutilized tax losses.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

However, deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

3. Significant accounting policies (cont'd)

(l) Income tax (cont'd)

(ii) Deferred tax *(cont'd)*
The measurement of deferred tax assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred and measured at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(n) Guarantees and letters of credit

Guarantees and letters of credit comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most guarantees and letters of credit to be settled simultaneously with the reimbursement from the customers. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience with similar transactions and history of past losses, supplemented by the judgment of management. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss within other operating expenses.

(o) Equity and reserves

Stated capital represents the issue price multiplied by the number of shares that have been issued. Any transaction costs associated with the issuing of shares are shown in equity as a deduction, net of any related income tax benefits.

Other components of equity include the following:

- Other reserves – comprises statutory and regulatory reserves as stipulated by the Banking Act and the Eastern Caribbean Central Bank (see note 20 and 21); and
- Retained earnings, which includes all current and prior period retained profits.

3. Significant accounting policies (cont'd)

(o) Equity and reserves (cont'd)

<u>*Dividends on ordinary shares*</u>
Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends for the year that are declared after the reporting date are, however, disclosed in the notes to the consolidated financial statements.

(p) Interest income and expense

Interest income and expense are recognized in profit or loss for all financial instruments using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial assets or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments and receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation of the effective interest rate includes all transaction costs and fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(q) Fee and commission income

Fee and commission income is generally recognized on the accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of a business, are recognized on completion of the underlying transaction. For financial planning and custody services that are continuously provided over an extended period of time, fees are recognized based on the applicable service contracts, usually on a time apportioned basis.

(r) Dividend income

Dividend income is recognized in profit or loss when the Group's right to receive payment is established. Dividends are presented in net interest, commission and other income in the consolidated statement of income.

3. Significant accounting policies (cont'd)

(s) Employee benefits

(i) *Short-term employee benefits:*
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) *Defined contribution plans:*
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(t) Foreign currency

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the Group's functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rates as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in other comprehensive income.

(u) Leases

All leases entered into by the Group are operating leases and therefore payments made under the terms of the leases are recognized in profit or loss on the straight line basis over their individual lives.

(v) Financial instruments

Financial instruments carried in the consolidated statement of financial position include cash and balances with Central Bank and investment managers, treasury bills, investment securities, loans and advances to customers, deposits with other banks, and deposits from banks, due to customers and borrowings. The particular recognition methods adopted are disclosed in the individual policy note associated with each item.

4 Segment analysis

Segment reporting by the Group is done in accordance with IFRS 8, 'Operating segments'.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to its two reportable segments and assessing their performance.

The Group's segment operations are all financial with a majority of revenues being derived from interest income. The Company's Board of Directors relies primarily on net interest income to assess the performance of the segment, therefore the total interest income and expense for all reportable segments is presented on a net basis.

The revenue from external parties reported to the Company's Board of Directors is measured in a manner consistent with that in consolidated statement of income.

Revenue from external customers is recorded as such and can be directly traced to each business segment.

The Group's management reporting is based on a measure of operating profit comprising net interest income, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as legal expenses and audit fees.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Company's Board of Directors.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position. Transactions between business segments are on an arms- length basis and are eliminated on consolidation and reflected in the consolidation entries.

There were no revenues derived from transactions with a single external customer that amount to 10% or more of the Group's revenue.

(Expressed in Eastern Caribbean Dollars)

4. Segment analysis*...continued*

	NBD	NIC	Total
	$	$	$
At 30 June 2019			
Net interest income	**33,311,635**	**145,644**	**33,457,279**
Net commission and other income	**19,521,596**	**55,673**	**19,577,269**
Fair value gain on investment securities	**5,156,452**	**-**	**5,156,452**
Impairment recovery on investment securities	**(963,400)**	**(9,565)**	**(972,965)**
Net impairment loss on loans and advances	**(18,016,330)**	**-**	**(18,016,330)**
Operating expenses	**(25,967,001)**	**(64,658)**	**(26,031,659)**
Profit before taxation	**13,042,952**	**127,094**	**13,170,046**
Income tax expenses	**-**	**-**	**-**
Profit for the year	**13,042,952**	**127,094**	**13,170,046**
Total assets	**1,408,479,036**	**10,929,474**	**1,419,408,510**
Total liabilities	**1,329,926,401**	**1,831,685**	**1,331,758,089**

	NBD	NIC	Total
	$	$	$
At 31 June 2018			
Net interest income	27,770,451	173,336	27,943,787
Net commission and other income	17,344,299	50,783	17,395,082
Fair value gain on investment securities	1,603,517	-	1,603,517
Impairment recovery on investment securities	184,877	-	184,877
Net loss on loans and advances	(30,135,540)	-	(30,135,540)
Operating expenses	(21,837,344)	(600)	(21,837,944)
Profit before taxation	(5,069,740)	223,519	(4,846,221)
Income tax expense	(492,539)	-	(492,539)
Loss for the year	(5,562,279)	223,519	(5,338,760)
Total assets	1,616,865,454	11,068,469	1,627,933,923
Total liabilities	1,536,010,864	2,052,307	1,538,063,171

5. Financial risk management

Risk management framework

This note presents information about the Group's objectives, policies, and processes for measuring and managing risk. The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to retail banking, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out mainly by the Finance Department under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides oversight for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks that arise from the use of financial instruments are:

- Credit risk
- Liquidity risk
- Market risk (includes currency risk, interest rate risk, and equity price risk)
- Operational risk

(a) Credit risk

Credit risk is the risk of the Group suffering financial loss should a customer or a counterparty to a financial instrument fail to meet its contractual obligations to the Group, and arises principally from loans and advances, which includes commercial and customer loans, credit cards, loan commitments arising from such lending activities. It can also arise from credit enhancement provided, such as credit financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from balances with central bank, deposits with non-financial institutions, other assets, investments in debt securities and other exposures arising from its trading activities ("trading exposures"), including non-equity trading portfolio assets. For risk management purposes, the Group considers and consolidates all elements of credit risk exposure - e.g. individual obligor default risk, country and sector risk.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Loans and advances
The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk.

Probability of default
The Group assesses the probability of default of individual counterparties using an internal rating tool tailored to the various categories of counterparty. They have been developed based on the East Caribbean Central Bank prudential guidelines. Borrowing customers of the Group are segmented into five rating classes as follows:

(i) Pass
(ii) Special mention
(iii) Sub-standard
(iv) Doubtful
(v) Loss

This rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tool is kept under review and upgraded as necessary.

Debt securities and other bills
For debt securities and other bills, external rating agencies such as Standard & Poor's, Moody's and Caricris or their equivalents are used by the Asset and Liability Committee (ALCO) for the management of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

Risk limit control and mitigation policies
The Group manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of related borrowers, and to the industry segments. Such risks are monitored on a revolving basis and subject to an annual or, when considered necessary by the Board of Directors, more frequent review.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

Some other specific control and mitigation measures are outlined below.

(i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Government-issued debt securities, treasury and other eligible bills are generally unsecured.

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit (which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions) are collaterised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Impairment and provisioning policies

The Group's internal rating system focuses more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes. The impairment provision shown in the consolidated statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom three grades.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The table below shows the percentage of the Group's loans and advances and the associated impairment provision for each of the Group's internal rating categories:

	Loans to customers $	%	Impairment Provision $	%	Net Total $
At June 30, 2019					
Pass	**324,202,384**	**46**	**-**	**-**	**324,202,384**
Special mention	**101,559,031**	**15**	**-**	**-**	**101,559,031**
Substandard	**203,367,435**	**29**	**20,336,744**	**53**	**183,030,691**
Doubtful	**34,808,269**	**5**	**17,404,135**	**45**	**17,404,134**
Loss	**707,773**	**-**	**707,773**	**2**	**-**
Inherent risk provision	**1,452,103**	**-**	**14,521**	**-**	**1,437,582**
Gross loans to customers	**666,096,995**	**95**	**38,463,173**	**100**	**627,633,822**
Interest receivable	**33,088,622**	**5**	**-**	**-**	**33,088,622**
Total	**699,185,617**	**100**	**38,463,173**	**-**	**660,722,444**

	Loans to customers $	%	Impairment Provision $	%	Net Total $
At June 30, 2018					
Pass	290,447,820	45	-	-	290,447,820
Special mention	130,318,829	20	-	-	130,318,829
Substandard	99,363,493	16	9,936,349	18	89,427,144
Doubtful	28,961,020	5	14,480,510	27	14,480,510
Loss	30,008,788	5	30,008,788	55	-
Inherent risk provision	264,083	-	2,641	-	261,442
Gross loans to customers	579,364,033	91	54,428,288	100	524,935,745
Interest receivable	60,581,013	9	-	-	60,581,013
Total	639,945,046	100	54,428,288	100	585,516,758

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The table below represents a worst case scenario of credit risk exposure to the Group at June 30, 2019 and 2018 without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown below 51% (2018 - 41%) of the total maximum exposure is derived from loans and receivables 20% (2018 – 18%) represents investment securities.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk to the Group resulting from its loans and advances portfolio based on the following:

84% (2018 - 71%) of the loans and advances portfolio is categorized in the top two grades of the internal rating system;

Large corporate customer loans, which represent the biggest group in the portfolio, are backed by collateral;

59% (2018 - 70%) of the loans and advances portfolio are considered to be neither past due nor impaired;

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iii) Impairment and provisioning policies (cont'd)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Note	**2019**	2018
		$	$
Treasury bills		**34,372,032**	36,882,462
Due from other banks		**333,746,855**	529,362,607
Deposits with non-bank financial institutions		**9,971,536**	2,295,935
Loans and advances to customers		**666,512,040**	558,946,027
Investments:			
Financial assets at fair value through profit or loss		**121,546,388**	130,540,360
Investment securities			
- Amortised cost (2018: held-to-maturity)		**121,771,034**	93,562,107
- FVOCI (2018: available-for-sale)		**15,878,472**	26,869,797
Other assets		**5,746,631**	13,273,126
		1,309,544,988	1,391,732,421
Loan commitments	34	**70,017,807**	51,100,474
Financial guarantees and other financial facilities	34	**3,033,618**	3,781,704
		73,051,425	54,882,178
		1,382,596,413	1,446,614,599

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(iv) *Concentration of risk by location*

Loans and advances to customers	**2019**	2018
	$	$
Domestic	**609,191,601**	502,173,845
ECCU area	**41,328,691**	41,415,515
Non-ECCU area	**15,991,747**	15,356,667
	666,512,040	558,946,027
Total loans and advances	**666,512,040**	558,946,027

Investment and debts securities	**2019**	2018
	$	$
Domestic- primarily in Dominica	**94,319,770**	81,183,210
ECCU area	**43,329,736**	39,248,694
Non-ECCU area	**121,546,388**	130,540,360
	259,195,894	250,972,264

Lending commitments and financial guarantees	**2019**	2018
	$	$
Domestic- primarily in Dominica	**73,051,425**	54,882,178
	73,051,425	54,882,178

5. Financial risk management (cont'd)

(b) Credit risk (cont'd)

(iv) *Concentration of risk by location (cont'd)*

Concentration of risks of financial assets with credit exposure

2019	**Financial institutions**	**Construction & Land Development**	**Real Estate Activities**	**Public Administration**	**Utilities**	**Transport & Storage**	**Wholesale & Retail**	**Information & Communication**	**Private Household**	**Other Industries**	**Total**
	$		$	$	$	$	$	$			$
Cash and balances with central bank	86,760,340	-	-	-	-	-	-	-	-	-	86,760,340
Treasury bills	-	-	-	34,372,032	-	-	-	-	-	-	34,372,032
Due from banks	333,746,855	-	-	-	-	-	-	-	-	-	333,746,855
Deposits with non-bank financial institution	9,971,536	-	-	-	-	-	-	-	-	-	9,971,536
Loans and advances	58,183,429	58,421,592	172,567,839	171,523,993	58,980,275	28,853,073	47,192,723	20,915,938	16,909,934	32,963,244	666,512,040
Investment securities	145,420,003	-	-	113,194,947	-	580,944	-	-	-	-	259,195,894
Other assets	5,746,630	-	-	-	-	-	-	-	-	-	5,746,630
Total	**639,828,793**	**58,421,592**	**172,567,839**	**319,090,972**	**58,980,275**	**29,434,017**	**47,192,723**	**20,915,938**	**16,909,934**	**32,963,244**	**1,396,305,327**
Loan commitments	2,115,588	32,512,903	11,578,813	-	11,500,000	-	6,444,021	-	2,576,561	3,289,921	70,017,807
Financial guarantees	-	1,128, 300	-	-	-	-	1,007,959	-	-	897,359	3,033,618
Total	**2,115,588**	**33,641,203**	**11,578,813**	**-**	**11,500,000**	**-**	**7,451,980**	**-**	**2,576,561**	**4,187,280**	**73,051,425**

Other industries includes professional services, education, accommodation and food services

5. Financial risk management (cont'd)

(c) Credit risk (cont'd)

(iv) Concentration of risk by location (cont'd)

2018	**Financial institutions**	**Construction & Land Development**	**Real Estate Activities**	**Public Administration**	**Utilities**	**Transport & Storage**	**Wholesale & retail**	**Information & Communication**	**Private Household**	**Other industries**	**Total**
	$		$	$	$	$	$	$			$
Cash and balances with central bank	212,800,942	-	-		-	-	-	-	-	-	212,800,942
Treasury bills	-	-	-	36,883,462	-	-	-	-	-	-	36,883,462
Due from banks	529,362,607	-	-	-	-	-	-	-	-	-	529,362,607
Deposits with non-bank financial institution	2,295,935	-	-	-	-	-	-	-	-	-	2,295,935
Loans and advances	59,756,607	27,096,702	184,842,547	54,470,804	66,458,637	30,667,093	55,889,190	11,451,881	16,130,733	52,181,833	558,946,027
Investment securities	148,836,474	-	-	101,515,026	-	620,764	-	-	-	-	250,972,264
Other assets	13,273,126	-	-	-	-	-	-	-	-	-	13,273,126
Total	**966,325,691**	**27,096,702**	**184,842,547**	**192,869,292**	**66,458,637**	**31,287,857**	**55,889,190**	**11,451,881**	**16,130,733**	**52,181,833**	**1,604,534,363**
Loan commitments	1,069,837	593,000	15,343,829	-	-	-	17,289,512	9,000,000	2,686,227	5,118,069	51,100,474
Financial guarantees	-	3,325,704	-	-	-	-	456,000	-	-	-	3,781,704
Total	**1,069,837**	**3,918,704**	**15,343,829**	**-**	**-**	**-**	**17,745,512**	**9,000,000**	**2,686,227**	**5,118,069**	**54,882,178**

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(v) Loans and advances to customers

Loans and advances to customers are summarized as follows:

	2019	2018
	$	$
Loans and advances to customers		
Neither past due nor impaired	**412,968,391**	450,883,695
Past due but not impaired	**210,331,681**	50,576,570
Impaired	**75,885,545**	138,484,781
	699,185,617	639,945,046
Less: unearned interest	**(41,569)**	(41,692)
Gross	**699,144,048**	639,903,354
Less: impairment provision	**(32,632,008)**	(80,957,327)
Net	**666,512,040**	558,946,027

The total impairment provision for losses on loans and advances is $32,632,008 (2018 - $80,957,327) of which $29,258,236 (2018 - $77,580,674) relates to the individually impaired loans and the remaining amount of $3,373,771 (2018 - $3,376,653) is the portfolio provision. Further information on impairment is included in Note 11.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(vi) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group as follows:

	Overdrafts $	Term loans $	Credit card $	Mortgages $	Large Corporate customers $	Total loans and advances $
June 30, 2019						
Loans and advances to customers						
Pass	**3,473,575**	**36,433,663**	**2,643,641**	**139,594,345**	**230,823,167**	**412,968,391**
June 30, 2018						
Loans and advances to customers						
Pass	31,908,089	67,765,467	2,395,635	101,033,122	247,781,382	450,883,695

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(vii) Loans and advances past due but not impaired

Loans and advances past due but not impaired are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group. The gross amount of loans and advances by class to customers that were past due but not impaired, net of unearned interest, were as follows:

	Overdrafts	Term loans	Credit Cards	Mortgages	Large Corporate customers	Total loans and advances to customers
	$	$	$	$	$	$
June 30, 2019						
Past due up to 30 days	**148,944,474**	**2,660,783**	**413,832**	**9,138,218**	**902,821**	**162,060,128**
Past due 30 – 60 days	**39,848**	**742,132**	**91,990**	**284,073**	**-**	**1,158,043**
Past due 60 – 90 days	**15,306**	**-**	**200,967**	**24,074**	**-**	**240,347**
Over 90 days	**3,558,646**	**4,683,535**	**-**	**12,222,678**	**26,408,304**	**46,873,163**
Gross	**152,558,274**	**8,086,450**	**706,789**	**21,669,043**	**27,311,125**	**210,331,681**
Less unearned interest in discount loans	**-**	**(41,569)**	**-**	**-**	**-**	**(41,569)**
Net	**152,558,274**	**8,044,881**	**706,789**	**21,669,043**	**27,311,125**	**210,290,112**
June 30, 2018						
Past due up to 30 days	813,541	2,495,413	364,143	9,174,727	1,371,603	14,219,427
Past due 30 – 60 days	5,566	1,269,108	253,763	925,944	-	2,454,381
Past due 60 – 90 days	2,698	1,529,019	12,040	69,528	820,111	2,433,396
Over 90 days	5,744,250	4,482,537	122,480	7,278,098	13,842,001	31,469,366
Gross	6,566,055	9,776,077	752,426	17,448,297	16,033,715	50,576,570
Less unearned interest in discount loans	-	(41,692)		-	-	(41,692)
Net	6,566,055	9,734,385	752,426	17,448,297	16,033,715	50,534,878

5. Financial risk management (cont'd)

(a) *Credit risk (cont'd)*

(viii) Loans and advances individually impaired

The individually impaired loans and advances to customers, before taking into consideration the cash flows from collateral held and unearned interest on discount loans is $75,885,544 (2018 - $138,484,781). The breakdown of the gross amount of individually impaired loans and advances by class is as follows:

	Overdrafts $	Term loans $	Credit Card $	Mortgages $	Large Corporate customers $	Total loans and advances to customers $
June 30, 2019						
Individually impaired loans	**2,371,250**	**4,513,002**	**195,110**	**38,437,133**	**30,369,049**	**75,885,544**
June 30, 2018						
Individually impaired loans	4,440,246	6,918,491	-	20,746,506	106,379,538	138,484,781

(ix) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These accounts are kept under continual review. Restructuring is most commonly applied to term loans, in particular customer finance loans. Renegotiated loans that would otherwise be past due or impaired at June 30, 2019 amounted to $10,819,989 (2018 - $11,643,318).

(x) Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2019, based on Standard & Poor's ratings or their equivalent.

5. Financial risk management (cont'd)

(a) Credit risk (cont'd)

(x) Debt securities, treasury bills and other eligible bills (cont'd)

	Financial assets at fair value through profit or loss $	Treasury bills $	Investment securities $	Total $
June 30, 2019				
BB- to AA+	**76,342,849**	**-**	**-**	**76,342,849**
Un-rated	**-**	**34,372,032**	**121,771,034**	**156,143,066**
	76,342,849	**34,372,032**	**121,771,034**	**232,485,915**
June 30, 2018				
BB- to AA+	75,629,067	-	-	75,629,067
Un-rated	-	36,882,462	102,831,675	139,714,137
	75,629,067	36,882,462	102,831,675	215,343,204

	2019 $	2018 $
Treasury bills	**34,372,032**	36,882,462
Investment securities	**109,113,883**	178,460,742
	232,485,915	215,343,204

(b) Market risk

The Group takes on exposure to market risks, which is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to control and manage market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

The Group's exposure to market risks arises from its non-trading portfolios. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of equity risks arising from the Group's fair value investments.

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

Management of market risk

The Group's policies, processes and controls for trading activities are designed to achieve a balance between pursuing profitable trading opportunities and managing earnings volatility within a framework of sound and prudent practices. Trading activities are primarily customer focused, but also include a proprietary component.

Market risk arising from the Group's trading activities is managed in accordance with Board-approved policies and limits.

(i) *Currency risk*
The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since 1974. The Group's exposure to various currencies at June 30, 2019 is depicted in the following table. Included in the table are the Group's financial instruments at carrying amounts, categorized by currency.

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) Currency risk (cont'd)

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2019								
Assets								
Cash and balances with ECCB	**85,163,603**	**890,798**	**71,222**	**439,786**	**105,164**	**89,767**	**-**	**86,760,340**
Treasury bills	**34,372,032**	**-**	**-**	**-**	**-**	**-**	**-**	**34,372,032**
Due from other banks	**24,559,741**	**291,635,480**	**71,222**	**3,457,605**	**1,529,312**	**421,668**	**12,071,827**	**333,746,855**
Deposits with non-bank financial institutions	**618,963**	**7,680,301**	**-**	**-**	**-**	**-**	**1,672,272**	**9,971,536**
Loans and advances to customers	**663,220,789**	**3,291,251**	**-**	**-**	**-**	**-**	**-**	**666,512,040**
Investment securities:								
Amortised cost	**118,129,734**	**3,641,300**	**-**	**-**	**-**	**-**	**-**	**121,771,034**
FVOCI	**15,878,472**	**-**	**-**	**-**	**-**	**-**	**-**	**15,878,472**
At fair value through profit or loss	**-**	**120,085,447**	**-**	**-**	**-**	**-**	**1,460,941**	**121,546,388**
Other assets	**5,746,631**	**-**	**-**	**-**	**-**	**-**	**-**	**5,746,631**
Total financial assets	**947,689,965**	**427,224,577**	**142,444**	**3,897,391**	**1,634,476**	**511,435**	**15,205,040**	**1,396,305.328**

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) Currency risk (cont'd)

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2019 (cont'd)								
Liabilities								
Deposits from customers	1,221,597,126	45,103,026	-	1,479,444	930	328,650	-	1,268,509,176
Commercial paper	35,042,560	-	-	-	-	-	-	35,042,560
Other liabilities	22,017,673	5,699,609	-	-	-	-	-	27,717,282
Total financial liabilities	1,278,657,359	50,802,635	-	1,479,444	930	328,650	-	1,331,269,018
Net currency exposure	(330,967,394)	376,421,942	142,444	2,417,947	1,633,546	182,785	15,205,040	65,036,310
Loan commitments and financial guarantees	73,051,425	-	-	-	-	-	-	73,051,425

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) Currency risk (cont'd)

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2018								
Assets								
Cash and balances with ECCB	**211,673,026**	**514,901**	**37,669**	**357,500**	**170,814**	**47,032**	**-**	**212,800,942**
Treasury bills	**36,882,462**	**-**	**-**	**-**	**-**	**-**	**-**	**36,882,462**
Due from other banks	**35,469,075**	**480,082,363**	**37,669**	**9,419,257**	**2,224,743**	**492,552**	**1,636,948**	**529,362,607**
Deposits with non-bank financial institutions	**623,662**	**-**	**-**	**-**	**-**	**-**	**1,672,273**	**2,295,935**
Loans and advances to customers	**555,263,205**	**3,682,822**	**-**	**-**	**-**	**-**	**-**	**558,946,027**
Investment securities:								
- Held-to-maturity	**89,836,795**	**3,725,312**	**-**	**-**	**-**	**-**	**-**	**93,562,107**
- Available-for-sale	**24,861,672**	**2,008,125**	**-**	**-**	**-**	**-**	**-**	**26,869,797**
- At fair value through profit or loss	**-**	**122,360,187**	**-**	**-**	**-**	**-**	**8,180,173**	**130,540,360**
Other assets	**13,273,126**	**-**	**-**	**-**	**-**	**-**	**-**	**13,273,126**
Total financial assets	**967,883,023**	**612,373,710**	**75,338**	**9,776,757**	**2,395,557**	**539,584**	**11,489,394**	**1,604,533,363**

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(i) Currency risk (cont'd)

	XCD $	USD $	BDS $	EURO $	GBP $	CAN $	Other $	Total $
As at June 30, 2018 (cont'd)								
Liabilities								
Deposits from customers	1,449,804,636	17,022,532	-	1,601,213	963	306,672	-	1,468,736,016
Commercial paper	31,621,268	-	-	-	-	-	-	31,621,268
Other liabilities	31,710,050	5,699,608	-	-	-	-	-	37,409,658
Total financial liabilities	1,513,135,954	22,722,140	-	1,601,213	963	306,672	-	1,537,766,942
Net currency exposure	(545,252,931)	589,651,570	75,338	8,175,544	2,394,594	232,912	11,489,394	66,766,421
Loan commitments and financial guarantees	54,882,178	-	-	-	-	-	-	54,882,178

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flows risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's interest- bearing financial assets and financial liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates.

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(*b*) *Market risk (cont'd)*

(ii) *Interest rate risk (cont'd)*

	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2019					
Assets					
Cash and balances with ECCB	-	-	-	86,760,340	86,760,340
Treasury bills	34,372,032	-	-	-	34,372,032
Due from other banks	300,837,144	-	-	32,909,710	333,746,854
Deposits with non-bank financial institutions	618,963	-	-	9,352,573	9,971,536
Loans and advances to customers	168,733,132	114,840,354	382,938,554	-	666,512,040
Investment securities:					
- Amortised cost	16,979,149	32,139,266	72,652,619	-	121,771,034
- FVOCI	-	-	-	15,878,472	15,878,472
Other assets				5,746,631	5,746,631
Total financial assets	521,540,420	146,979,620	455,591,173	150,647,726	1,274,758,939
Liabilities					
Deposits from customers	834,486,619	96,630,035	53,414,400	283,978,122	1,268,509,176
Other liabilities	-	-	-	27,717,282	27,717,282
Commercial paper	23,271,238	11,771,322	-	-	35,042,560
Total financial liabilities	857,757,857	108,401,357	53,414,400	311,695,404	1,331,269,018
Interest sensitivity gap	(336,217,437)	38,578,263	402,176,773	(161,047,678)	(56,510,079)

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(b) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	Up to 1 year $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2018					
Assets					
Cash and balances with ECCB	-	-	-	212,800,942	212,800,942
Treasury bills	36,882,462	-	-	-	36,882,462
Due from other banks	456,102,291	-	-	73,260,316	529,362,607
Deposits with non-bank financial institutions	623,663	-	-	1,672,272	2,295,935
Loans and advances to customers	132,174,082	101,614,605	325,157,340	-	558,946,027
Investment securities:					
- Held-to-maturity	12,925,702	18,849,234	61,787,171	-	93,562,107
- Available-for-sale	4,149,704	5,119,864	-	17,600,229	26,869,797
Other assets				13,273,126	13,273,126
Total financial assets	642,857,904	125,583,703	386,944,511	318,606,885	1,473,993,003
Liabilities					
Deposits from customers	807,858,261	118,510,721	52,309,530	490,057,504	1,468,736,016
Other liabilities	-	-	-	37,409,658	37,409,658
Commercial paper	24,155,529	7,465,739	-	-	31,621,268
Total financial liabilities	832,013,790	125,976,460	52,309,530	527,467,162	1,537,766,942
Interest sensitivity gap	(189,155,886)	(392,757)	334,634,981	(208,860,277)	(66,773,939)

5. Financial risk management (cont'd)

(*b*) *Market risk (cont'd)*

(iii) *Equity price risk*

Equity price risk is the possibility that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The Group is exposed to equity security price risk because of investments held by the Group that are classified on the consolidated statement of financial position as fair value through other comprehensive income and at fair value through profit or loss. The primary exposure to equity prices arises from trading activities. The Group manages its non-trading equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

Sensitivity analysis – Equity price risk

If market rates at June 30, 2019 had been 1% higher, with all other variables held constant, consolidated comprehensive income for the year would have been $2,864 (2018 - $4,109) higher as a result of the increase in the fair value equity securities. An equivalent decrease would have resulted in an equivalent amount stated above but with opposite impact

For such investments classified as fair value through profit or loss, the impact on consolidated profit or loss and equity would have been an increase or decrease of $51,565 (2018 - $16,035).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its payment obligations associated with its financial liabilities when they fall due or upon demand. The Group is exposed to daily cash calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, and guarantees. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Management of liquidity risk

The matching and controlled mismatching of the contractual maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

The key elements of the liquidity management process are as follows:

Daily and weekly monitoring to ensure that requirements are met. This includes the replenishment of funds as they mature or as borrowed by customers. The Group ensures that sufficient funds are held in the one to thirty day maturity bucket to satisfy liquidity requirements.

- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen liquidity problems. Additionally, the investment portfolio is fairly diversified by currency, geography, issuer, product and term.
- Weekly monitoring of the balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term.

(Expressed in Eastern Caribbean Dollars)

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management of liquidity risk (cont'd)

Maturities of financial liabilities

The tables below discloses the contractual undiscounted cashflows of the Group's financial liabilities whereas the Group manages liquidity risk based on expected discounted cashflows.

	Up to 1 year	1 to 5 years	Over 5 years	Total
June 30, 2019	**$**	**$**	**$**	**$**
Liabilities				
Deposits from customers	**1,142,237,793**	**160,538,425**	**6,949,041**	**1,309,725,259**
Other liabilities	**27,826,723**	**-**	**-**	**27,826,723**
Commercial paper	**23,732,000**	**12,224,071**	**-**	**35,956,071**
Total financial liabilities	**1,193,796,516**	**172,762,496**	**6,949,041**	**1,373,508,053**
June 30, 2018				
Liabilities				
Deposits from customers	**1,348,804,926**	**76,759,607**	**77,992,318**	**1,503,556,851**
Other liabilities	**37,409,658**	**-**	**-**	**37,409,658**
Commercial paper	**24,937,375**	**7,613,000**	**-**	**32,550,375**
Total financial liabilities	**1,411,151,959**	**84,372,607**	**77,992,318**	**1,573,516,884**

5. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Residual contractual maturities relating to off-balance sheet items

Loan commitments
The dates of the contractual amounts of the Group's off-balance sheet instruments that commit it to extend credit to customers and other facilities (Note 34) are summarized in the table below:

Financial guarantees and other financial facilities
Financial guarantee facilities, which are included in other liabilities (Note 17) are also included in the table below, based on the earliest contractual maturity date.

	1 year $	**1 – 5 years** $	**Total** $
June 30, 2019			
Loan commitments	**40,251,427**	**29,766,380**	**70,017,807**
Financial guarantees and other financial facilities	**3,033,618**	**-**	**3,033,618**
	43,285,045	**29,766,380**	**73,051,425**
June 30, 2018			
Loan commitments	36,955,640	14,144,834	51,100,474
Financial guarantees and other financial facilities	3,781,704	-	3,781,704
	40,737,344	14,144,834	54,882,178

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors.

5. Financial risk management (cont'd)

(d) Operational risk (cont'd)

This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas. These standards address the following requirements:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance when this is effective.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and the Board of Directors.

(e) Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are:

- to comply with the capital requirements set by the Eastern Caribbean Central Bank ("ECCB");
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the ECCB for supervisory purposes. The required information is filed with the ECCB on a quarterly basis.
A new Banking Act, No. 4 of 2015, was assented to on June 12, 2015 and commenced on November 12, 2015. Under this new Act, the ECCB requires each bank or banking group to:

(a) hold the minimum level paid up share capital of EC$20,000,000; this is an increase from the previous level of EC$5,000,000 and;

(b) maintain a ratio of total regulatory capital to the risk weighted assets ("the Basel ratio") at or above the minimum 8% indicated in the ECCB Prudential Guidelines. There has been no change in this regard under the new Act.

5. Financial risk management (cont'd)

(e) Capital management (cont'd)

The Group is in compliance with the minimum capital requirement as per the new Banking Act. No. 4 of 2015 by way of a transfer from retained earnings done in the financial year 2017. The Group will also be seeking injections of new capital in the medium term.

The Group's regulatory capital which is managed by its Treasury, is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment losses, and unrealized gains arising on the fair valuation of equity instruments held as available-for-sale (limited to 20% of Tier 1 capital).

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended June 30, 2019 and 2018. During those two years, the Group complied with all of the externally imposed capital requirements to which it was subject.

	Notes	**2019** **$**	2018 $
Tier 1 capital			
Share capital	19	**20,000,000**	20,000,000
Statutory reserve	20	**13,968,918**	11,334,909
Retained earnings		**46,988,571**	48,960,443
Total tier 1 capital		**80,957,489**	80,295,352
Tier 2 capital			
Collective impairment allowance - 2018		**-**	3,376,653
Loan loss reserve	21	**5,831,164**	9,000,000
Unrealised gain on FVOCI (2018: AFS) investments	22	**861,768**	575,400
Total qualifying tier 2 capital		**6,692,932**	12,952,053
Total regulatory capital		**87,650,421**	93,247,405
Risk weighed assets		**604,772,236**	725,494,484
Capital adequacy ratio			
- Required		**8.0%**	8.0%
- Actual		**14.5%**	12.9%

6. Fair values of financial instruments

Fair value is defined in Note 3(h)(vii). The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash and cash equivalents, other assets and other liabilities and due to other banks are assumed to approximate their carrying values due to their short term nature. The fair value of off-balance sheet commitments is also assumed to approximate the amounts disclosed in Note 34 due to their short term nature.

The fair values of listed securities are assumed to be equal to their quoted market values. The fair values of unlisted securities are estimated at book value.

The estimated fair values of loans reflect changes in interest rates that have occurred since the loans originated and are determined by discounting contractual future cash flows, over the remaining term to maturity, at market interest rates prevailing at the reporting date. The estimated fair values of loans are not significantly different from their carrying values.

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. Deposits payable on a fixed date are at rates which reflect market conditions and are considered to have fair values which approximate carrying values.

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group’s market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges such as Luxembourg, New York and Trinidad and Tobago.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

(Expressed in Eastern Caribbean Dollars)

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

Financial instruments not measured at fair value:

Accounting classifications and fair values
The following table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at June 30, 2019	Notes	Designated at fair value	Amortised cost	FVOCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost										
Cash and cash equivalent	7	-	375,663,650	-	-	375,663,650	-	-	-	-
Treasury bills		-	13,644,323	-	-	13,644,323	-	13,644,323	-	13,644,323
Loans and advances to customers	11	-	666,512,040	-	-	666,512,040	-	-	666,512,040	666,512,040
Investment securities:	12	-	121,771,034	-	-	121,771,034	-	121,771,034	-	121,771,034
Unquoted securities		-	-	-	-	-	-	-	-	-
Financial assets measured at FVOCI										
Quoted securities		-	-	5,746,717	-	5,746,717	-	5,746,717	-	5,746,717
Unquoted		-	-	10,131,755	-	10,131,755	-	10,131,755	-	10,131,755
Financial assets measured at fair value										
Corporate bonds		26,526,827	-	-	-	26,526,827	26,526,827	-	-	26,526,827
Quoted equity securities		45,203,539	-	-	-	45,203,539	45,203,539	-	-	45,203,539
Debt securities		49,808,838	-	-	-	49,808,838	49,808,838	-	-	49,808,838
Asset-backed securities		7,184	-	-	-	7,184	7,184	-	-	7,184
Total assets		121,546,388	1,177,591,047	15,878,472		1,315,015,907	121,546,388	151,293,829	666,512,040	137,424,860
Deposit from customers	16	-	1,268,509,176	-		1,268,509,176	-	-	-	-
Trading liabilities	17	-	-	-	27,717,282	27,717,282	-	-	-	-
Commercial paper	18	-	35,042,560	-		35,042,560	-	-	-	-
Total liabilities		-	1,303,551,736	-	27,717,282	1,331,269,018	-	-	-	-

6. Fair values of financial instruments (cont'd)

Fair value hierarchy (cont'd)

Financial instruments not measured at fair value (cont'd)

		Carrying amount							Fair value			
As at June 30, 2018	**Notes**	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for sale**	**Other amortised costs**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value												
Cash and cash equivalent	**7**	-	-	678,827,995	-	-	-	678,827,995	-	-	-	-
Treasury bills		-	-	15,093,278	-	-	-	15,093,278	-	15,093,278	-	15,093,278
Loans and advances to customers	**11**	-	-	558,946,027	-	-	-	558,946,027	-	-	558,946,022	558,946,0227
Investment securities:	**12**	-	-	-	-	-	-	-	-	-	-	-
Measured at amortised cost		-	93,562,107	-	-	-	-	93,562,107	-	93,562,107	-	93,562,107
Unquoted securities		-	-	-	21,409,447	-	-	21,409,447	-	21,409,447	-	21,409,447
Financial assets measured at fair value												
Corporate bonds		24,201,114	-		-	-	-	24,201,114	24,201,114	-	-	24,201,114
Quoted equity securities		54,911,293	-	-	5,460,350	-	-	60,371,643	54,911,293	5,460,350	-	60,371,643
Debt securities		51,417,927	-	-	-	-	-	51,417,927	51,417,927	-	-	51,417,927
Asset-backed securities		10,026	-	-	-	-	-	10,026	10,026	-	-	10,026
Total assets		**130,540,360**	**93,562,107**	**1,252,867,300**	**26,869,797**	**-**	**-**	**1,503,839,564**	**130,540,360**	**135,525,182**	558,946,022	**825,011,569**
Deposit from customers	**16**	-	-	-	-	1,468,736,016	-	1,468,736,016	-	-	-	-
Trading liabilities	**17**	-	-	-	-	-	37,409,658	37,409,658	-	-	-	-
Commercial paper	**18**	-	-	-	-	31,621,268	-	31,621,268	-	-	-	-
Total liabilities		**-**	**-**	**-**	**-**	**1,500,357,284**	**37,409,658**	**1,537,766,942**	**-**	**-**	**-**	**-**

7. Cash and balances with Central Bank

(a) Cash and balances with Central Bank

	Note	**2019** **$**	2018 $
Cash in hand		**13,515,026**	9,824,586
Cash at ECCB other than mandatory deposits		**(2,297,476)**	115,555,683
Included in cash and cash equivalents	7(b)	**11,217,551**	125,380,269
Mandatory deposits		**75,542,789**	87,420,673
		86,760,340	212,800,942

The weighted average effective interest rate on deposits with ECCB at June 30, 2019 was 0% (2018 - 0.00%). Deposits with the ECCB are non-interest bearing.

Mandatory deposits

Section 45 of the Dominica Banking Act No. 4 of 2015, and the Eastern Caribbean Central Bank Agreement Act of 1983, prescribes the maintenance of a reserve, including marginal required reserves, against deposits and other similar liabilities specified for that purpose. Such reserves shall be maintained either by way of notes and coins, cash holdings with other financial institutions or by way of deposits with the ECCB. Such mandatory deposits are not available to finance the Group's day-to-day operations.

(b) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

	Notes	**2019** **$**	2018 $
Cash and balances with ECCB	7(a)	**11,217,551**	125,380,269
Treasury bills	8	**20,727,709**	21,789,184
Due from other banks	9	**333,746,855**	529,362,607
Deposits with non-bank financial institutions	10	**9,971,536**	2,295,935
		375,663,651	678,827,995

Treasury bills of $20,727,709 (2018 - $21,789,184) comprise bills with less than three months' maturity from the date of acquisition and forms part of the total of $34,372,032 (2018 - $36,882,462) in note 8.

8. Treasury bills

	Notes	**2019** $	2018 $
Treasury bills issued by domestic and regional governments	7(b)	**34,372,032**	36,882,462

The weighted average effective interest rate in respect of treasury bills for the year was 3.96% (2018 – 4.04%). *The June 30, 2019 balance includes expected credit loss adjustment of $179,896 (2018: Nil)*

9. Due from other banks

	Notes	**2019** $	**2018** $
Items in the course of collection		**230,065**	1,120,333
Placements with other banks		**32,682,077**	72,139,983
Interest bearing deposits		**300,834,713**	456,102,291
	7(b)	**333,746,855**	529,362,607

The weighted average effective interest rate in respect of interest bearing deposits for the year was 1.95% (2018 – 2.08%). Placements with other banks include the amount of $12,714,385 (2018 - $14,754,351) received on behalf of customers that was in the process of clearing at end of year. These funds are not available for the Bank's use in its normal operations until processed. Interest bearing deposits have been adjusted for expected credit loss of $461,600 (2018: Nil)

10. Deposits with non-bank financial institutions

	Notes	**2019** $	**2018** $
Interest bearing deposits		**618,963**	623,663
Held by broker		**9,352,573**	1,672,272
	7(b)	**9,971,536**	2,295,935

The weighted average effective interest rate in respect of interest bearing deposits for the year was 2% (2018 2%). The June 30, 2019 balance includes expected credit loss adjustment of $3,711 (2018: nil).

11. Loans and advances to customers

	Notes	2019 $	2018 $
Mortgage loans		**199,700,521**	139,227,924
Large corporate customers		**288,503,341**	370,194,635
Overdrafts		**158,403,100**	42,914,392
Credit Cards		**3,545,541**	3,148,061
Term loans	5(a)	**49,033,114**	84,460,034
Gross		**699,185,617**	639,945,046
Unearned interest on discount loans		**(41,569)**	(41,692)
Provision for loan impairment		**(32,632,008)**	(80,957,327)
Net		**666,512,040**	558,946,027
Current		**168,733,132**	132,221,757
Non-current		**497,778,908**	426,724,270
		666,512,040	558,946,027

The weighted average effective interest rate on productive loans and overdraft stated at amortized cost at June 30, 2019 was 6.61% (2018 – 6.89%) and productive overdrafts stated at amortized cost was 7.45% (2018 – 7.62%).

The Group, as part of its strategic initiatives has entered into syndicated arrangements for the funding of loan facilities domestically where the exposure exceeds the Tier I requirement. These loans are backed by commercial paper. The amounts are included in large corporate loans in the amount of $$28,695,476 (2018: $30,000,000).

The weighted average effective interest rate for the year in respect of syndicated loans at amortized cost was 5% (2018 – Nil).

	2019 $	2018 $
(i) Charges against profits		
Increase in provision for impairment	**(18,212,891)**	(30,552,448)
Impairment recoveries on loans and advances	**196,561**	416,908
Net impairment charged in profit or loss	**(18,016,330)**	(30,135,540)

(Expressed in Eastern Caribbean Dollars)

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers

Reconciliation of the allowance account for losses on loans and advances to customers by class is as follows:

	Large corporate	Term loans	Mortgage loans	Overdraft	Total
	$	$	$	$	$
Balance at July 1, 2018	50,719,647	4,176,692	23,934,992	2,125,996	80,957,327
Effect of adopting IFRS 9 at July 1, 2018	4,344,502	(664,412)	381,907	438,378	4,500,374
Provision for expected credit loss	23,503,547	1,253,376	(6,037,782)	(706,127)	18,013,014
Loans written off during the year	(65,013,055)	(2,734,470)	(2,299,657)	(791,527)	(70,838,708)
At June 30, 2019	13,554,641	2,031,186	15,979,460	1,066,720	32,632,008
Balance at July 1, 2017	39,393,124	4,230,997	5,778,446	4,327,293	53,729,860
Provision for loan impairment	13,424,529	1,022,196	18,156,546	(2,050,823)	30,552,448
Loans written off during the year	(2,098,006)	(1,076,501)	-	(150,474)	(3,324,981)
At June 30, 2018	50,719,647	4,176,692	23,934,992	2,125,996	80,957,327

(Expressed in Eastern Caribbean Dollars)

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers(cont'd)

A breakdown of the staging of advances and the related ECLs for loans and advances to customers is illustrated below:

	Large corporate $	Term Loans $	Mortgage Loans $	Overdraft $	Total $
June 30, 2019					
Net loss before provision	288,503,341	52,578,655	199,700,521	158,403,100	699,185,617
Stage 1: 12 months ECL	(1,880,799)	(274,290)	(572,119)	(45,072)	(2,772,280)
Stage 2: Lifetime ECL	(325,882)	(82,436)	(180,751)	(12,423)	(601,492)
Stage 3: Credit impaired	(11,347,960)	(1,674,460)	(15,226,590)	(1,009,226)	(29,258,236)
Financial Assets - Lifetime ECL	274,948,700	50,547,469	183,721,061	157,336,379	666,553,609

	Large corporate $	Term loans $	Mortgage loans $	Overdraft $	Total $
July 1, 2018					
Gross loans and advances to customers	343,094,342	87,608,095	166,328,217	42,914,392	639,945,046
Provision for expected credit loss	(55,064,149)	(3,512,280)	(24,316,899)	(2,564,374)	(85,457,701)
Net loans and advances to customers	288,030,193	84,095,815	142,011,318	40,350,018	554,487,345

(Expressed in Eastern Caribbean Dollars)

11. Loans and advances to customers (cont'd)

(ii) Provision for impairment of loans and advances to customers(cont'd)

A breakdown of the staging of advances to customers and the related ECLs for loans and advances is illustrated below *(cont'd)*

	Large corporate	Term loans	Mortgage loans	Overdraft	Total
	$	$	$	$	$
Gross loans at July 1, 2018	343,094,342	87,608,095	166,328,217	42,914,392	639,945,046
Stage 1: 12 months ECL	(759,787)	(61,865)	(88,913)	(445)	(911,010)
Stage 2: Lifetime ECL	(213,889)	(35,218)	(52,643)	(42)	(301,793)
Stage 3: Credit impaired	(54,090,473)	(3,415,197)	(24,175,342)	(2,563,886)	(84,244,898)
Financial Assets - Lifetime ECL	288,030,193	84,095,815	142,011,318	40,350,018	554,487,345
Stage 1: 12 months ECL					
ECL allowance at July 1, 2018	759,787	61,865	88,913	445	911,010
Credit loss movement (new loans, repayment etc.)	1,121,012	212,425	483,206	44,627	1,861,270
As at June 30, 2019	1,880,799	274,290	572,119	45,072	2,772,280
Stage 2: Life ECL					
ECL allowance at July 1, 2018	213,889	35,218	52,643	42	301,793
Credit loss movement (new loans, repayment etc.)	111,993	47,218	128,107	12,380	299,698
As at June 30, 2019	325,882	82,436	180,751	12,422	601,491
Stage 3: Credit impaired					
ECL allowance at July1, 2018	54,090,473	3,415,197	24,175,342	2,563,886	84,244,898
Credit loss experience	22,270,542	993,732	(6,649,095)	(763,133)	15,852,046
Write - offs	(65,013,055)	(2,734,470)	(2,299,657)	(791,527)	(70,838,7008)
As at June 30, 2019	11,347,960	(1,674,460)	15,226,590	1,009,226	29,258,236
Total	**13,554,641**	**2,031,186**	**15,979,460**	**1,066,720**	**32,632,008**

(Expressed in Eastern Caribbean Dollars)

12. Investment securities

	2019 $	2018 $
Held-to-maturity	-	93,562,107
Amortized cost	121,771,034	-
Available-for-sale	-	26,869,797
FVOCI	15,878,472	-
FVTPL	121,546,388	130,540,360
	259,195,894	250,972,264

A. Amortized cost (Held-to-maturity investment securities)

	2019 $	2018 $
Government bonds	109,373,011	85,259,447
Corporate bonds	21,174,436	11,316,628
Asset-backed securities	7,161,261	6,986,032
	137,708,708	103,562,107
Less allowance for impairment	(15,937,674)	(10,000,000)
Debt securities	121,771,034	93,562,107

B. FVOCI (Available-for-sale investment securities)

	2019 $	2018 $
Government bonds	-	5,063,256
Corporate bonds	-	-
Asset-backed securities	-	4,206,312
	-	9,269,568
Equity securities	5,746,717	12,892,444
Less: impairment	-	(7,432,094)
Unquoted equity securities	23,896,750	22,151,285
Less: impairment	(13,764,995)	(10,011,406)
	15,878,472	26,869,797

C. Investment securities measured at fair value through profit or loss

	2019 $	2018 $
Corporate bonds	26,526,827	24,201,114
Debt securities	49,808,838	51,417,927
Asset-backed securities	7,184	10,026
Equities	45,203,539	54,911,293
	121,546,388	130,540,360

12. Investment securities (cont'd)

	Stage1 12 Month ECL	**Lifetime ECL Not Credit-Impaired**	**Credit Impaired Financial Assets Lifetime ECL**	**Total**
	$	$	$	$
Debt investment securities at amortised cost (2018: held-to-maturity)				
Balance as at July 1, 2018	1,688,413	146,981	14,816,222	16,651,616
Net remeasurement of loss allowance	52,655	153,604	-	206,259
Recoveries	-	-	(920,201)	(920,201)
Balance as at June 30, 2019	**1,741,068**	**300,585**	**13,896,021**	**15,937,674**

Individual allowance for impairment includes an adjustment to opening retained earnings in the amount of $3,215,612. The investment security for which this allowance has been made was impaired as at July 1, 2018.

	Stage 1 12 Month ECL	**Stage 2 Lifetime ECL Not Credit-Impaired**	**Stage 3 Credit Impaired Financial Assets Lifetime ECL**	**Total**
	$	$	$	$
Investment securities at FVOCI (2018: available-for-sale)				
Balance as at July 1, 2018	-	-	17,443,500	17,443,500
Net remeasurement of loss allowance	-	-	2,008,125	2,008,125
Recoveries	-	-	(209,105)	(209,105)
Reclassification	-	-	(3,435,994)	(3,435,994)
Write off	-	-	(2,041,531)	(2,041,531)
Balance as at June 30, 2019	**-**	**-**	**13,764,995**	**13,764,995**

12. Investment securities (cont'd)

On adoption of IFRS 9 on 1 January 2018

	AFS Listed	AFS Unlisted	Total	Held- to- Maturity	FVTPL	FVOCI Listed	FVOCI Unlisted	FVOCI Total	Amortised Cost	FVTPL	TOTAL
At July 1, 2018	6,319,629	20,550,168	26,869,797	93,562,107	130,540,360	-	-	-	-	-	**250,972,264**
Impact of adopting IFRS 9 at July 1, 2018	(6,319,629)	(20,550,168)	(26,869,797)	(93,562,107)	(130,540,360)	6,319,629	20,550,168	26,869,797	93,562,107	130,540,360	-
Re-classification	-	-	-	-	-	-	(9,269,568)	(9,269,568)	9,269,568	-	-
Allowance for expected credit losses	-	-	-	-	-	-	-	-	(3,215,612)	-	**(3,215,612)**
Restated balance at July 1, 2018	**-**	**-**	**-**	**-**	**-**	**6,319,629**	**11,280,600**	**17,600,229**	**99,616,063**	**130,540,360**	**247,756,652**
Additions	-	-	-	-	-	-	-	-	23,133,449	-	**23,133,449**
Disposals	-	-	-	-	-	-	(209,105)	(209,105)	(1,692,415)	(14,558,916)	**(16,460,436)**
Unrealised gain from changes in fair value	-	-	-	-		286,368	-	286,368	-	5,156,452	**5,442,820**
Dividend received	-	-	-	-	-	-	-	-	-	408,491	**408,491**
Allowance for expected credit losses	-	-	-	-		-	(2,008,125)	(2,008,125)	(206,261)	-	**(2,214,386)**
Impairment recovery on investment	-	-	-	-	-	-	209,105	209,105	920,199	-	**1,129,304**
At June 31, 2019	**-**	**-**	**-**	**-**	**-**	**6,605,997**	**9,272,475**	**15,878,472**	**121,771,035**	**121,546,388**	**259,195,894**

The weighted average effective interest rate for the year in respect of fair value through other comprehensive income was 0% (2018: available-for-sale securities at fair value - 5.04%). The weighted average effective interest rate for the year in respect of securities at amortized cost was 3.75% (2018 : held to maturity - 3.77%).

12. Investment securities (cont'd)

CL Financial Group placements

As at June 30, 2019, the Group held investments with members of the CL Financial Group as follows:

	Maturity date $	Investment amount $	Provision 2019 $	Investment amount $	Provision 2018 $
CLICO International Life Insurance Company - Barbados	January 26, 2015	10,000,000	10,000,000	10,000,000	10,000,000

13. Other assets

	2019 $	2018 $
Prepayments and advances	**1,407,072**	1,581,436
Clearings	**5,929,690**	4,644,189
Stationery	**756,709**	734,919
Merchant settlements	**3,048,378**	5,032,270
Other receivable	**5,746,631**	13,273,126
	16,888,480	25,265,940

The amounts classified as "Other receivable" relate to amounts due from another financial institution. The financial institution was placed in receivership in November 2015. The Group continues to work through its regulator to arrive at a satisfactory resolution. However, on the basis that this receivable was credit impaired as at July 1, 2018, a provisional adjustment to opening retained earnings of $7,023,657 has been made based on the expected credit loss.

14. Property and equipment

Under Section 55 of the Banking Act No. 4 of 2015, the Group is required to dispose of all immoveable property surplus to its operational needs within three (3) years from November 12, 2015. Consequently, freehold land was previously reclassified as "Property held for sale". In the prior year this amount was reclassified to property and equipment as it is unlikely that sale will be realized within the next year. The Group continues to seek to effect this sale to be in line with statutory requirements.

(Expressed in Eastern Caribbean Dollars)

14. Property and equipment (cont'd)

	Land $	Building $	Leasehold improvement $	Computer equipment $	Furniture & equipment $	Motor vehicles $	Total $
COST							
Balance at July 1, 2017	4,256,683	8,738,594	1,209,337	7,860,876	15,552,301	1,001,650	38,619,441
Additions	-	4,573	-	723,219	562,091	-	1,289,883
Transfer to held for sale		-	-	-	-	-	-
Disposals	-	-	-	-	(111,540)	-	(111,540)
Balance at June 30, 2018	**4,256,683**	**8,743,167**	**1,209,337**	**8,584,095**	**16,002,852**	**1,001,650**	**39,797,784**
Additions	**-**	**-**	**-**	**592,757**	**913,178**	**128,000**	**1,633,935**
Transfer from held for sale	**-**	**255,781**	**(255,781)**	**31,715**	**(31,715)**	**-**	**-**
Disposals	**-**	**-**	**(339,562)**	**(103,695)**	**(476,402)**	**-**	**(919,659)**
Balance at June 30, 2019	**4,256,683**	**8,998,948**	**613,994**	**9,104,872**	**16,407,913**	**1,129,650**	**40,512,060**
ACCUMULATED DEPRECIATION							
Balance at July 1, 2017	-	(4,097,497)	(1,204,435)	(7,337,478)	(14,106,737)	(675,304)	(27,421,451)
Charge for the period	-	(212,332)	(1,192)	(199,227)	(583,620)	(116,995)	(1,113,366)
Transfers	-	(255,781)	255,781	-	-	-	-
Depreciation eliminated on disposals	-	-	-	-	-	-	-
Balance at June 30, 2018	-	(4,565,610)	(949,846)	(7,536,705)	(14,690,357)	(792,299)	(28,534,817)
Charge for the period	-	(250,821)		(400,221)	(465,011)	(117,192)	(1,233,245)
Depreciation eliminated on disposals	-	-	335,852	-	558,981	-	894,833
Balance at June 30, 2018	-	(4,816,431)	(613,994)	(7,936,926)	(14,596,387)	(909,491)	(28,873,229)
Carrying Values							
Balance as at June 30, 2019	**4,256,683**	**4,182,517**	**-**	**1,167,946**	**1,811,526**	**220,159**	**11,638,831**
Balance as at June 30, 2018	4,256,683	4,177,557	259,491	1,047,390	1,312,495	209,351	11,262,967

15. Intangible assets

	Total $
COST	
Balance at July 1, 2017	7,769,556
Additions	20,388
Disposal	(4,655)
Balance at June 30, 2018	7,785,289
Additions	**295,425**
Balance at June 30, 2019	**8,080,714**
ACCUMULATED DEPRECIATION	
Balance at July 1, 2017	7,583,362
Charge for the year	61,803
Disposal	(4,655)
Balance at June 30, 2018	7,640,510
Charge for the year	**117,702**
Balance at June 30, 2019	**7,758,212**
Carrying Values	
Balance at June 30, 2019	**322,502**
Balance as at June 30, 2018	**144,779**

(Expressed in Eastern Caribbean Dollars)

16. Deposits from customers

	2019	2018
	$	$
Demand deposits	**322,446,127**	504,995,214
Savings accounts	**661,846,112**	673,620,810
Term deposits	**284,216,937**	290,119,992
	1,268,509,176	1,468,736,016
Current	**1,125,015,323**	1,295,787,744
Non-current	**143,493,853**	172,948,272
	1,268,509,176	1,468,736,016

The weighted average effective interest rate for the year in respect of customers' deposits was 1.72% (2018 - 1.71%).

17. Other liabilities

	2019	2018
	$	$
Manager's cheques	**2,405,890**	3,187,129
Bankers' payments	**1,538,977**	4,320,211
Provision for staff gratuities	**3,674,062**	3,065,197
Unclaimed dividends	**529,668**	328,220
Uncleared funds	**12,714,385**	14,754,351
Other accounts payable and accrued liabilities	**6,854,300**	11,754,550
	27,717,282	37,409,658

The provision for staff gratuities is pursuant to a union agreement to provide employees with a gratuity upon termination. The gratuity is provided by the Group to staff with a minimum of 10 years of service. The funds are being held by the Group. Uncleared funds represents amounts received on behalf of customers which were in the process of clearing at year end. These funds are not available for the Group's use in its normal operations until processed.

(Expressed in Eastern Caribbean Dollars)

18. Commercial paper

The Group entered into syndicated loan arrangements for which funding exceeded the statutory Tier 1 requirement. To comply with this requirement, the Group issued commercial paper in order to fund these facilities. The commercial paper is issued for a maximum period of three years with the option of renewal. As at the reporting date, the Group had commercial paper of $35,042,560 (2018 - $31,621,268).

The effective interest rates are 3.35% (2018 - 3.60%).

19. Share capital

	Number of shares	**2019 $**	2018 $
Authorized			
40,000,000 ordinary shares of no par value			
Issued and fully paid			
Ordinary shares at the beginning and end of year	24,000,000	**20,000,000**	20,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

In 2018, to meet the requirements of the Banking Act No. 4 of 2015, which requires that the Bank hold a minimum level of paid up capital of $20,000,000, the shareholders approved an 11 for 1 bonus issue, which resulted in the issue of 2,000,000 ordinary shares to qualifying shareholders. Issued share capital subsequently increased by $9,000,000. It is the Bank's intention to raise new capital in the medium term.

20. Statutory reserve

Pursuant to Section 45 of the Banking Act No. 4 of 2015, the Group shall, out of its net profits of each year, transfer to a reserve "not less than 20% of the annual net earnings of the Group to a reserve fund whenever the fund is less than one hundred percent of the issued and paid-up capital of the Group". At the reporting date, the Group's reserve $ 13,968,918 (2018: $11,334,909) was less than the issued and paid-up capital. Therefore, 20% or $2,634,209 (2018: nil) of net earnings was transferred to statutory reserve.

21. Loan loss reserve

In 2014, the Directors declared the creation of a loan loss reserve as a transfer from retained earnings. The declaration of this reserve was in anticipation of the adoption of IFRS 9, *Financial Instruments,* in future years. In 2019 financial statements reflects the impact of IFRS 9 and therefore the Group has transferred the amount previously set aside as a loan loss reserve back to retained earnings. Further, in 2019, regulatory reserve was in excess of expected credit loss and the sum of $5,831,164 was transferred to loan loss reserve. Therefore, at the reporting date the Group's loan loss reserve was $5,831,164 (2018: $9,000,000).

(Expressed in Eastern Caribbean Dollars)

22. Unrealised gain on FVOCI /(available -for-sale investment reserve)

Unrealized gains or losses on investment securities reflect the difference between the fair value through OCI (2018: available-for-sale investments) at cost and their fair value.

	2019	2018
	$	$
Balance at beginning of year	**575,400**	986,316
Loss on changes in fair values	**286,368**	(410,916)
Balance at end of year	**861,768**	575,400

23. Dividends

The following dividends were declared and paid by the Group:

	Issued and outstanding shares	**2019 $**	2018 $
$0 cents (2018 – $0.03 cents) per qualifying ordinary share	24,000,000	-	720,000
Ordinary shares at the end of the year	24,000,000	-	-

24. Net interest income

	2019	2018
	$	$
Interest income		
Loans and overdrafts	**41,408,034**	40,765,810
Treasury bills, investment securities and bonds	**6,320,751**	4,185,938
Deposits with banks	**9,006,439**	5,516,271
	56,735,224	50,468,019
Interest expense		
Time deposits, commercial paper and syndicated arrangements	**10,006,376**	9,884,419
Saving deposits	**13,008,072**	12,268,441
Demand deposits	**226,682**	351,267
Correspondent banks	**36,815**	20,105
	23,277,945	22,524,232
Net interest income	**33,457,279**	27,943,787

(Expressed in Eastern Caribbean Dollars)

25. Net commission and other income

	2019 $	2018 $
Dividend income	**1,198,117**	928,014
Foreign currency account commission	**850,495**	822,521
Loan fees	**1,288,270**	1,089,620
Net credit card revenue	**1,432,484**	157,982
Others	**4,308,830**	2,437,852
Services charges	**1,308,887**	1,825,981
	10,387,083	7,261,970

26. Impairment/(recovery of) loss on investment securities

	2019 $	2018 $
Impairment on FVOCI (2008: AFS investment securities)	**2,008,125**	-
Expected credit loss on amortised cost investment securities	**206,259**	-
Impairment loss on investment securities	**2,214,384**	-
Investment recovered during the year	**(1,129,304)**	(184,877)

Impairment losses are reflected in the consolidated statement of income for the year ended June 30, 2019 and represent management's assessment of impairment of investment securities classified as FVOCI based on the existence of objective evidence of impairment at that date and expected credit loss for investment securities classified at amortised cost under IFRS 9.

See note 12 for the effect of the impairment on the consolidated statement of financial position.

(Expressed in Eastern Caribbean Dollars)

27. Operating expenses

	Notes	2019 $	2018 $
Audit fees		**218,150**	210,000
Audit expenses		**50,050**	65,403
Depreciation and amortization		**1,350,947**	1,175,169
Directors' expenses		**68,303**	12,970
Directors' fees		**290,740**	202,318
Directors' training and development		**85,565**	31,426
Employee benefit expenses	29	**11,401,804**	10,591,307
Insurance		**630,571**	236,053
Legal and other professional fees		**748,701**	764,376
Office expenses		**1,082,356**	741,359
Other expenses	28	**5,316,669**	3,330,205
Rental of premises and equipment		**761,353**	547,593
Repairs and maintenance:			
- Building		**942,921**	740,052
- Computer		**1,342,934**	1,381,225
- Other		**406,039**	625,284
Utilities			
- Electricity and water		**803,506**	620,379
- Telephone		**531,050**	562,825
		26,031,659	21,837,944

28. Other expenses

	Notes	2019 $	2018 $
Advertising and promotions		**756,190**	505,582
Agency fees		**1,187,395**	1,263,683
Collateral revaluation		**62,883**	49,557
Meetings and conferences		**87,637**	53,680
Miscellaneous		**264,058**	171,210
Scholarships expenses		**9,448**	10,695
Security – cash in transit		**109,794**	102,527
Subscription and levies		**326,897**	343,023
Sundry losses		**2,512,367**	830,248
	27	**5,316,669**	3,330,205

(Expressed in Eastern Caribbean Dollars)

29. Compensation

	Note	2019 $	2018 $
Employees			
Wages and salaries		**8,738,912**	8,139,935
Other staff costs		**433,675**	689,154
Training		**256,364**	123,506
Social security cost		**515,809**	517,069
Retirement benefit and gratuity		**879,982**	636,124
Group insurance		**348,329**	346,482
Staff uniform		**228,733**	139,037
	27	**11,401,804**	10,591,307
Key management compensation			
Salaries and other short-term benefits		**1,137,005**	1,245,192
Post-employment benefits		**232,896**	208,359
		1,369,901	1,453,551
Directors' fees		**290,740**	202,318

30. Income tax expense

	2019 $	2018 $
Current	**-**	492,539
Deferred	**-**	-
	-	492,539

The tax on the operating profit differs from the theoretical amount that would arise by applying the basic tax rate of 25% to the consolidated loss, as follows:-

	2019 $	2018 $
Profit/(loss) before tax	**13,170,045**	(4,846,222)
Tax credit calculated at the applicable tax rate of 25% (2018 – 25%)	**3,292,511**	(1,211,556)
Tax impact of non-deductible expenses	**5,848,959**	9,057,785
Tax impact of exempt income	**(14,594,605)**	(4,886,361)
Tax impact of current year tax losses	**5,453,134**	(2,467,330)
	-	492,539

(Expressed in Eastern Caribbean Dollars)

31. Income tax losses

At the end of the year, the Group had income tax losses of $19,389,758 (2018 – nil) to carry forward against future tax liabilities. These losses, which have not been confirmed or agreed by the Inland Revenue Department, will expire as follows if not utilised:

Income Year	Expiry year	(Profit)/ Losses arising $	Losses expired/utilised $	Losses b/f $	Accumulated losses c/f $
2013	2018	1,988,644	2,291,237	20,984,829	20,682,236
2014	2019	2,718,211	9,795,272	20,682,236	13,605,175
2015	2020	5,797,325	9,039,586	13,605,175	10,362,914
2016	2021	10,645,186	(141,266)	10,362,914	21,149,366
2017	2022	(9,291,404)	1,988,644	21,149,366	9,869,318
2018	2023	(11,839,473)	9,869,318	-	-
2019	2024	19,389,758	-	-	19,389,758

32. Basic and diluted profit/(loss) per share

The calculation of earnings/(loss) per share is based on the net income/(loss) attributable to ordinary shareholders for the year ended of $13,170,045 (2018 – loss of $5,338,761) divided by 24,000,000 (2018 - 24,000,000), being the weighted average number of ordinary shares in issue during the year.

(Expressed in Eastern Caribbean Dollars)

33. Related party transactions and balances

A related party is a person or entity that is related to the Group.

A party is related to the Group, if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

(Expressed in Eastern Caribbean Dollars)

33. Related party transactions and balances (cont'd)

Interest income and interest expense with related parties were as follows:

	2019		2018	
	Income $	Expense $	Income $	Expense $
Government of Dominica	**9,238,509**	**545,998**	3,232,351	589,261
Statutory bodies	**1,174,440**	**4,096,705**	1,273,754	3,374,254
Directors and related entities	**810,152**	**169,434**	629,073	134,101
Key management	**63,533**	**22,657**	66,117	21,499

At June 30, 2019, related parties had the following balances with the Group:

	2019		2018	
	Loans $	Deposits $	Loans $	Deposits $
Government of Dominica	**170,040,285**	**128,488,717**	54,803,849	214,998,742
Statutory bodies	**14,450,141**	**119,379,671**	15,661,754	145,507,525
Directors and related entities	**13,208,417**	**9,914,694**	13,295,327	1,170,683
Key management	**1,240,071**	**1,142,979**	1,340,886	1,038,985

As at the reporting date, the Group's single largest shareholder was the Government of the Commonwealth of Dominica holding directly 48.93% (2018 - 48.93%) of the issued share capital, and 55.09% (2018 - 55.09%) when considered in concert with other shareholding entities owned and controlled by the Government. In addition, the loan balances of the Government of Dominica at $170,040,285 (2018 - $54,803,849) constituted 25% (2018 – 9%) of the loans and advances outstanding from customers at June 30, 2019.

Directors' shareholdings as at the end of the financial year are as follows: 16,608 shares or 0.07% (2018 – 22,416 shares or 0.09%).

(Expressed in Eastern Caribbean Dollars)

34. Commitments and contingencies

	2019 $	2018 $
Loan commitments	**70,017,807**	51,00,474
Financial guarantees and other financial facilities	**3,033,618**	3,781,704
	73,051,425	51,100,474

Loan commitments for the year amounted to $70,397,433 (2018- $ 51,00,474). Expected credit loss on commitments amounted to $379,626.

Acceptances, guarantees and letters of credit that remain open at the year-end amounted to $3,063,789 (2018 - $3,781,704). Expected credit loss on guarantees totaled $30,171.

35. Future lease commitments

There were no commitments for capital works or real properties at the reporting date. However, there were operating lease commitments in respect of which the minimum future payments were as follows:

	2019 $	2018 $
Within one year	**683,000**	537,132
Within two to five years	**893,004**	494,232
	1,576,004	1,031,364

36. Human capital management

The following data serves as a selection of the Group's performance measurement indicators for the last two years:

	2019 $	2018 $
Number of employees	**142**	138
Staff costs/total revenue	**13.14%**	15.25%
Interest revenue per employee	**399,544**	365,710
Assets per employee	**9,995,835**	11,798,045